TARIFF AND TRADE PROPOSALS

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

ON

TARIFF AND TRADE PROPOSALS

MAY 11, 12, 13, 14, 18, 19, 20, 21, 22,
JUNE 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 15,
16, 17, AND 25, 1970

Part 4 of 16 Parts

(May 19, 1970)

Printed for the use of the Committee on Ways and Means

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TABLE SHOWING CONTENTS OF THESE HEARINGS BY DATES, SUBJECTS, VOLUME NUMBERS, AND PAGE NUMBERS

CONTENTS

SUBJECT HEADINGS

BACKGROUND MATERIAL

ORAL STATEMENTS BY GOVERNMENT OFFICIALS

ORAL STATEMENTS BY PUBLIC WITNESSES

MATERIAL SUBMITTED FOR THE RECORD

By Government Witnesses

By Public Witnesses

TARIFF AND TRADE PROPOSALS

TUESDAY, MAY 19, 1970

House of Representatives,
Committee on Ways and Means,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee), presiding.

The Chairman. The committee will please be in order.

Our first witness this morning is our former colleague, Andrew J. Biemiller, Director of the Department of Legislation for the AFL–CIO. He is accompanied by Nathaniel Goldfinger, Director, Department of Research, AFL–CIO. They have been before the committee on many occasions.

We appreciate having both of you with us again.

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR–CONGRESS OF INDUSTRIAL ORGANIZATIONS; ACCOMPANIED BY NATHANIEL GOLDFINGER, DIRECTOR, DEPARTMENT OF RESEARCH

Mr. Biemiller. Thank you, Mr. Chairman.

Before starting on my statement, may I request permission to insert at the end of our statement the AFL–CIO recent Convention Resolution on International Trade and a number of appendixes with statistical data?

The Chairman. Without objection, that will be included at the conclusion of your statement.

Mr. Biemiller. The U.S. position in world trade deteriorated in the 1960's, with adverse impacts on American workers, communities, and industries. The deterioration continues in the 1970's, with further displacement of U.S. production and loss of American jobs.

The basic causes are major changes in world economic relationships during the past 25 years, which accelerated in the 1960's. Among these changes are the spread of Government-managed national economies, the internationalization of technology, the skyrocketing rise of investments of U.S. companies in foreign subsidiaries and the mushrooming growth of U.S.-based multinational corporations.

U.S. Government policies and doctrines, which were developed to meet world economic conditions of the 1930's and 1940's, are utterly unrealistic today. Moreover, they contribute to undermining the U.S. economic position in the world. Their continuation in the 1970's spells further losses for U.S. production and employment.

46–127 O—70—pt. 4——3

Solutions cannot await additional long-range studies. Action must start now. Workers, whose jobs are at stake—from a rising tide of imports, frequently produced with modern technology at wages 50 percent to 90 percent below U.S. levels—must not be told to wait another year or two or three for the findings of yet another study, while the displacement of U.S. production and export of American jobs accelerates.

Changes in world economic relationships have made two old concepts—"free trade" and "protectionism"—outdated and increasingly irrelevant. U.S. Government policy must face up squarely to the increasing export of American technology and jobs by U.S. companies for their own private advantage. U.S. Government policy must also face up to the reality that foreign governments directly and indirectly bar imports from the United States, while they spur exports to the huge American market.

A thorough revision of U.S. Government posture and policies, in the related areas of international trade and investment, is required. The AFL-CIO urges this committee to initiate the legislation needed to enable America to meet the economic realities of the world of the 1970's—for the orderly expansion of world trade, on a reciprocal basis, and the improvement of the U.S. trade position in the interest of the American people.

The United States ranks first among nations in world trade. But this rating is essentially based on the huge size of the American economy. In terms of the share of world trade, the U.S. position has been declining throughout the post-World War II period. This decline accentuated even after the war-ravaged economies of other industrial nations returned to world markets, and it continues, at a more rapid rate today.

While U.S. exports continued to increase—although at a much slower pace than that of most other industrial countries—imports also rose throughout the past 25 years. In most of the latter 1960's, imports rose much faster than exports. Imports also increased faster than their share of the total national output of goods (excluding services and structures)—from 5.8 percent in 1960 to approximately 8 percent in 1969. For many specific industries and products, the impact, is much greater than 8 percent.

Since imports rose much faster than exports, during most of the latter 1960's, the reported merchandise trade surplus dropped from about $5 billion in the early 1960's and $7.1 billion in 1964, to $800 million in 1968, and $1.3 billion in 1969. If Government-financed AID and Public Law 480 shipments are excluded from the reported volume of merchandise exports, the United States had trade deficits in both 1968 and 1969.

The U.S. trade position has been worsening in composition, as well as volume, with imports of manufactured goods—parts and components, as well as finished products—rising most rapidly.

By 1968 and 1969, the United States was a net importer of steel, autos, trucks and parts, as well as such products as clothing, footwear and glass. A flood of shoe imports absorbed the entire expansion of U.S. domestic shoe sales in the 1960's. Even in electrical and non-electrical machinery, exports increased less rapidly than imports, with clear signs of danger for the period ahead. In consumer electrical products, imports took over major parts of the U.S. market in recent years.

From 1960 to 1969, exports of manufactured goods doubled. But imports of such goods tripled.

Imports of finished manufactured goods rose from about 35 percent of all imports in 1961 to over half of all imports in 1969. In the latter year, when imports generally rose about 8.7 percent, imports of finished manufactured goods soared 18 percent.

During the 1960's, the expansion of manufactured exports was strongest in products which are based on advanced technology, such as computers, jet aircraft, control instruments and some organic chemicals. Such industries are generally capital-intensive, with relatively few production and maintenance workers for each dollar of production.

The expansion of exports of most products was hampered by barriers of foreign governments and by the sharply increasing operations of foreign subsidiaries and other foreign affiliates of U.S. companies.

Detailed information on the job-impact of imports is not available. There are some jobs in the transportation and distribution of prohibited. However, there are job losses due to imports that compete with U.S.-made products. Moreover, the labor-intensive nature of much of the great import-expansion of the 1960's has caused significant losses of job opportunities, particularly for semiskilled and unskilled production workers—at a time when such job opportunities were sorely needed. And the shift of imports to include relatively sophisticated products has also caused the loss of skilled industrial jobs.

An indication of the deterioration of the U.S. trade position and related job losses can be found in the substantial change in the competitive nature of imports. In the 1950's, according to foreign trade experts, only about 30 to 40 percent of imports were considered competitive with U.S.-made products.

By 1966, according to a report by Secretary Shultz to the Joint Economic Committee of Congress, about 74 percent of the much greater volume of imports were "nearly competitive with domestic products." About 13 percent of imports, in 1966, were products not produced in the United States and another 13 percent were goods "produced in the United States but in short supply," according to Secretary Shultz. Between the 1950's and the latter 1960's, the total volume of imports increased sharply and competitive imports, as a share of the rapidly prohibited total volume, approximately doubled.

Temporary factors in the 1960's can explain only part of the deterioration of the U.S. trade position. The rising price level in the United States since 1965 and the boom of business investment in new plants and machines undoubtedly contributed to the sharp rise of imports and the deterioration of the U.S. position.

But there are basic, underlying causes of the deterioration of the U.S. trade position. Temporary factors—the rising U.S. price level, the business investment boom and the Vietnam war—merely aggravated them.

The Chase-Manhattan Bank Newsletter for June 1969 predicted a further slippage of the U.S. share of world trade by 1973. Moreover, it predicts a slower rise of exports of "technologically advanced products", while imports of such products are expected to continue to increase rather rapidly. "Thus," states the bank newsletter, "prospects for an improved U.S. trade balance remain dim."

NEW DEVELOPMENTS IN THE 1960'S

Among the major changes in world economic relationships during the past 25 years, which accelerated in the 1960's, have been the following:

1. By the latter 1950's, the war-shattered economies of Germany, Japan, and so forth, were revived, with newly installed plant and equipment and increasing strength in world trade. Some effects of such American-aided revival of the war-ravaged economies on the U.S. trade position were to be expected. But these effects have not stabilized. The U.S. share of world exports of manufactured goods continued to decline in both the 1950's and 1960's.

However, the desired revival of these war-ravaged economies, in itself, can hardly be the reason for the deterioration of the U.S. position.

2. In the 1960's, another development was the emergence of trading blocs, such as the European Common Market, with its inward-looking, protectionist tendencies.

The Common Market countries have greatly expanded their world trade. As a bloc, the Common Market is now the world's greatest exporter. Yet, these Common Market countries maintain barriers to U.S. exports and many of these barriers have been imposed in the past 10 years—despite U.S.-aided economic revival and increasing prowess in world trade.

These major trading nations have not significantly readjusted their trade arrangements—after achieving great export strength—to provide equitable, two-way arrangements with the United States.

3. In the past 25 years, there has been the spread of managed national economies—with varying degrees of government management, regulation, and control over economic activities, including foreign trade and investment.

The United States is now confronted by complex governmental economic arrangements in other countries to spur exports (direct and indirect subsidies, and so forth) and to bar or hold down imports (direct and indirect barriers). Examples include numerous Japanese quotas on imports, the German border tax and the Mexican border problem.

The Federal Reserve Bulletin of April 1968 reported that—

> Some goods in which the U.S. competitive advantage is large are not freely admitted to some foreign markets.
>
> They are subject to quotas, usually stringent health and technical standards, equalization levies and other special import taxes, marketing agreements, and mixing requirements whereby stipulated amounts of local products must be used.
>
> Such restrictions have limited U.S. exports of wheat and other grains, tobacco, poultry and some agricultural products; and also coal and a wide range of manufactured products, including computers, autos, heavy electrical equipment, drugs and fabrics.

4. The internationalization of technology has been reducing or eliminating the former U.S. productivity lead in many industries and product lines.

In many products, the lead in technology and productivity, which enabled high-wage U.S. industries to compete successfully in world markets, even against low-wage competition, has been reduced or eliminated.

Deputy Under Secretary of Labor George Hildebrand explained to the National Foreign Trade Council's Labor Affairs Committee in September 1969:

> It has often been assumed that high U.S. wages and better working conditions were largely offset by high U.S. productivity and a strong internal market. Increasingly, however, the spread of skills and technology, licensing arrangements and heavy investment in new and efficient facilities in foreign lands have all served to increase foreign productivity without comparable increases in wages.

Much of the U.S. technology, which has rapidly skipped over national boundary lines, has been developed with U.S. Government expenditures, at the expense of American taxpayers.

5. The sharp rise of foreign investments of U.S. firms in foreign subsidiaries—accompanied by licensing arrangements, patent agreements, joint ventures, and so forth, of U.S. companies with foreign firms—has contributed substantially to the internationalization of technology and its deteriorating effects on the U.S. trade position.

It is estimated that, in the past 25 years, U.S. firms established about 8,000 foreign subsidiaries, mostly in manufacturing.

Direct investments of U.S. firms in foreign subsidiaries, plants and other facilties soared from $3.8 billion in 1960 to $10.6 billion in 1969 and an estimated $12.7 billion in 1970—partly financed by outflows of U.S. capital, partly by plowed-back profits and depreciation of foreign subsidiaries and partly by foreign-raised capital.

The outflows of private U.S. capital that have financed part of these soaring investments have been a major factor in U.S. balance of payments problems.

Foreign subsidiaries of the U.S. firms and foreign companies using U.S. licenses, patents, and so forth, with U.S. technology—and, thereby, with productivity levels that are close to those in similar U.S. plants—can take maximum advantage of lower wage- and fringe-benefit costs and produce goods at lower unit costs.

Many such foreign subsidiary plants, operating with American technology and know-how, pay workers as little as 15 cents an hour.

This development has displaced U.S. production. It has meant the export of American jobs to subsidiary plants of American companies in foreign countries. It has resulted in the loss of exports to third-country markets. It has meant a growing tide of imports from foreign subsidiaries into the United States. American workers have been the losers.

6. The rapid spread of U.S.-based multinational corporations—firms with plants, offices, sales agencies, licensing arrangements, and so forth, in as many as 40 or more countries—is a new factor of growing importance in the deteriorating U.S. position in world trade. They can manipulate the location of operations, depending on labor costs, taxes, and foreign exchange rates. They can juggle exports, imports prices, dividends, from one country to another within the same corporate structure.

Multinational companies attempt to use a systems approach to global production, distribution, and sales. With plants and other facilities spread through numerous countries, multinational firms can and do juggle the production of components and assembly operations, license and patent agreements, distribution and shipping and sales arrangements to maximize the gains of the firm.

What finally shows up as U.S. exports and imports is, to an increasing degree, the result of intracorporate decisions, made by the private managers of U.S.-based international companies for the private advantage of the firm.

A multinational corporation can produce components in widely separated plants in Korea, Taiwan, and the United States, assemble the product in a plant in Mexico and sell the goods in the United States—with a U.S. brand name.

Moreover, when such goods are sold in the American market, they are sold at American prices. So the American worker loses his job and the American consumer pays the same price or close to it. The beneficiaries are the U.S.-based multinational companies.

The fact that other nations have high, and often prohibitive, barriers to U.S. exports, while the United States is a relatively open market for industrial goods, means that U.S.-based multinational companies can have relatively free rein both abroad and at home, while U.S. workers' jobs, incomes and communities pay the price.

No wonder that spokesmen for multinational corporations usually advocate a free-trade policy for the U.S.—freedom to manipulate operations, prices, sales, profits, and so forth, and to ship back whatever they wish, for sale in the U.S. market—for the benefit of the managers and stockholders of the corporation, regardless of adverse impacts on American workers, communities and the Nation.

The claims of multinational corporations that foreign investments always help to boost U.S. exports is not true. A study by the Department of Commerce, reported in the "Survey of Current Business," May 1969, stated:

"The great majority of U.S. parent companies (and) of foreign affiliates contributed very little of U.S. export trade. This suggests that foreign direct investments by U.S. corporations do not necessarily contribute to the export trade of these corporations."

In fact, the operations of foreign subsidiaries often substitute for U.S. exports—to the countries of the subsidiary operations and to third-country markets, with impacts on job opportunities.

For example, the Commerce Department reports that in chemicals, nonelectrical and electrical machinery—which account for about one-half of U.S. manufactured exports—foreign subsidiaries of U.S. firms exported \$1.9 billion in 1965 to third countries, amounting to about one-fifth of all such exports from the United States.

Moreover, foreign subsidiary operations result in increased imports into the U.S.—frequently displacing U.S. production and employment. In April, 1969, Commerce Department report on foreign trade states:

> The increase in imports of manufacturers has resulted in part from the establishment of plants by U.S. firms in low-wage countries to produce for the U.S. market, as in the case of TV picture tubes and clothing. Precise data are not available to develop this observation fully.

The report also declares:

> Technology is rapidly diffused among advanced countries. European and Japanese manufacturers are penetrating the American market even in the most

advanced product areas where we have been exporting technology. The more rapid rate of increase of imports than exports implies a larger problem in future years. Some of these imports will come from foreign subsidiaries of affiliates of U.S. firms.

The growth of multinational companies, in the 1960's, has been accompanied by the rapid expansion of international banking—much of it by U.S.-based banks. The London "Economist" of November 15, 1969, stated:

It is without precedent that banks should have joined forces across national frontiers to establish multinational institutions with their own separate identities.

These international banks have been servicing and helping to finance the multinational companies. They move money back and forth across national boundary lines "beyond the effective reach of the national monetary policies of any country," as the London "Economist" pointed out.

U.S.-based multinational banks have succeeded, increasingly, in moving beyond the effects of U.S. monetary policy, just as U.S.-based multinational companies have succeeded in juggling production, distribution and sales across national forntiers, with different laws, customs, taxes, living standards and currencies.

The spreading operations of U.S.-based multinational companies are an important factor in both the surge of manufactured imports into the United States and the absolute slowdown or the slowing rise of U.S. exports in many product-lines.

Foreign trade experts are particularly concerned about the near-future impacts of foreign subsidiaries of U.S.-based multinational corporations on exports and engines, office and metal-working machinery, construction and factory equipment and electrical products (including generators, power machinery, motors, TV, radios, household equipment and control instruments).

These multinationals now account for about one-half of U.S. exports. About 25 percent are direct transactions between the parent and subsidiaries. Probably another 25 percent involves the multinationals and their other business relations—licensees, foreign patent holders, foreign joint ventures, and so forth.

A similar or larger percentage of imports is also intracorporate—involving the transactions of U.S.-based multinational firms with their subsidiaries and other business arrangements.

These closed-system, intracorporate transactions are hardly competitive. They are not trade. And "foreign" is hardly the word for them.

The U.S.-based multinationals have substantially affected the volume and composition of U.S. exports—through competition with U.S.-produced goods in third-country markets, as well as in the country of the subsidiary. They have greatly affected the volume and composition of imports into the U.S.

At the same time, a large percentage of U.S. exports is affected by the management of foreign trade by foreign governments—direct and indirect subsidies for exports and barriers to imports.

At the same time, a large percentage of U.S. exports is affected by the management of foreign trade by foreign governments—direct and indirect subsidies for exports and barriers to imports.

Therefore, most U.S. foreign trade has little to do with what most people consider competition. Textbook theories of foreign trade—and government policies based on such theories—are increasingly irrelevant in the real world of trade and investment in 1970.

THE IMPACT OF U.S. TRADE DETERIORATION ON WORKERS

The deterioration of the U.S. foreign trade position has obvious impacts on jobs, on collective bargaining strength of unions, on wages and labor standards in adversely affected industries.

Precise statistics on the job-loss of imports are not available and estimates of the job-impact of exports are only rough guesses that are clouded by the increasing complexity of trade patterns.

Unfortunately, foreign trade experts usually show little interest and even less knowledge about the employment impacts of developments in foreign trade.

One rough indication of job losses was Secretary Shultz's estimate, presented to the Joint Economic Committee of Congress, that "about 1.8 million jobs in 1966 would have been required in the United States to produce the equivalent value" of 74 percent of imports into the United States that were competitive with U.S.-made products.

Secretary Shultz brought these figures up to date in his statement to this committee last week, when he said:

> In 1969, if we had attempted to produce domestically goods equivalent in value to such imports, the Bureau of Labor Statistics has estimates that we would have needed 2.5 million additional workers * * *

These rough estimates indicate the loss of approximately 700,000 American jobs in the 3 years 1966–69, as a result of the rising tide of imports that compete with U.S.-made products.

Secretary Shultz's estimates omitted the additional job losses due to the sales of foreign subsidiaries in foreign countries, in competition with the U.S.-made products. Anything like a full picture of the job impact of foreign trade developments is lacking.

The fact of increasing job losses is clear. And recent changes in the composition of exports and imports have been a special burden on semiskilled and unskilled production workers in an increasing number of industries and product lines.

The loss of such job opportunities has occurred at a time of urgently needed unskilled and semiskilled production jobs, as well as skilled industrial jobs, for the U.S. labor force, which is growing about 1.5 million each year. These are the same types of blue-collar jobs that are now being affected by spreading layoffs and production cutbacks.

Production and maintenance workers—usually the unskilled, semiskilled, and the most vulnerable—are being forced to bear most of the burden of the deterioration of the U.S. position in foreign trade.

This is the same group of non-supervisory workers—including some skilled employees—that bear most of the heavy burden of the administration policy of severe economic restraint, as well as the impact of radical and rapid technological change.

There are newspaper reports of the displacement of U.S. production and export of American jobs. For example, 2 months ago the Wall Street Journal provided an illustration. It reported that Zenith Radio Corp. had said it would "reduce its work force by about 3,000 jobs this year, and more than one-third of those laid off will be black."

The Chairman, Joseph S. Wright, said that, in addition to the 3,000 layoffs this year probably another 4,000 layoffs will occur in 1971.

Why? Because Zenith is building a giant new plant in Taiwan.

The increasing export of American jobs threatens to undermine domestic living standards and the growth of consumer markets at home. When an American corporation exports American jobs, it weakens a part of its potential market. Zenith won't be selling many of its products in Taiwan. It will be paying wages as little as 15 cents an hour, so none of Zenith's workers in Taiwan will be able to afford them. And, of course, the workers Zenith lays off here—black and white alike—won't be able to buy them either.

Another story, in the New York Times of May 12, 1970, reported from South Korea, about a Motorola plant, outside of Seoul:

> Because labor is less expensive in Korea, production costs are one-tenth those of a similar plant in Phoenix.

The report stated:

> George A. Needham, representative director of the Motorola Co.'s electronic component assembly plant on the outskirts of Seoul, told visitors to the bright, modern factory that total production costs in Korea were one-tenth of costs for similar production at Motorola's plant in Phoenix, Ariz.
>
> He also noted that it took 2 weeks less time to train Korean girls to assemble semiconductors and transistors than to teach American girls the same job.
>
> "The girls here are more motivated,"

Explained Mr. Needham:

> "Life is tough in this country. These people really need this work."

Although this account does not present the wage levels in the Motorola plant, it reports that wages in a nearby plywood plant range from $32 to $48 a month, for 6-days weeks of 10 to 11 hours of work per day.

There have been other adverse impacts on workers, as well as job losses. Imports are sometimes encouraged as a supposed discipline on prices. Often, the American consumer benefits not at all—the import are sold at the American price. Or frequently, the price differential to the customer is small and the profit margin to the business widens.

The discipline is usually most effectively directed to the labor cost—to the workers' collective bargaining strength and their ability to negotiate improved wages and fringe benefits.

For example, in 1967 and 1968, the copper imports of major corporations contributed to delaying achievement of a settlement of the strike of U.S. copperworkers.

The adverse impacts of the deterioration of the U.S. position in foreign trade are much tougher and more direct on workers than on capital or top management officials. Capital is mobile—investments can be moved out of an unprofitable business to other industries, companies, and countries.

Owners and top management are more mobile than workers. In contrast, workers have great stakes in their jobs and their communities—skills that are related to the job or industry, seniority and seniority related benefits, investment in a home, a stake in the neighborhood, schools, and church.

NEW POLICY FOR THE 1970'S

In the setting of world economic realities, in 1970, there is an urgent need for immediate action to thoroughly revise Government policies, affecting international trade and investment.

The choice is not between free trade and protectionist theories. Free, competitive trade relations hardly exist any longer in this world of managed national economies and the large-scale operations of foreign subsidiaries of U.S. companies. It is neither possible for the American economy to hide behind high-tariff walls nor to pretend that free, competitive trade relations are possible.

There is a need to: (1) Move ahead rapidly for an orderly expansion of world trade, with U.S. considerations as the starting point for U.S. policy and posture, based on the premise that trade is a complex network of interrelationships and; (2) etsablish trade and investment policies to deal with the foreign investments and operations of U.S. companies and banks.

U.S. Government measures are required:

1. To stop helping and subsidizing U.S. companies in setting up and operating foreign subsidiaries—to repeal section 807 and similar provisions of the Tariff Code, for example, and to repeal the tax provision which permits the deferral of U.S. taxes on the income of U.S. companies from their foreign subsidiaries.
2. To supervise and curb the substantial outflows of American companies for investment in foreign operations.
3. To develop regulations covering U.S.-based multinational companies.
4. To press, in appropriate international agencies, for the establishment of international fair labor standards in world trade.
5. As a stop-gap in the face of growing unresolved problems, to regulate the flow of imports into the United States of a variety of goods and product lines, in which sharply rising imports are displacing significant percentages of U.S. production and employment in such markets.

ORDERLY MARKETING

The need for guarding against a sharp inrush of imports of any product or component—to prevent adverse impacts on American workers, communities, firms or industries—has become crucial.

The existing escape clause mechanism is woefully inadequate, as experience has unfortunately proven. Even a much-needed, improved escape clause, in itself, is not sufficient to guard against the harmful effects of a rising tide of imports on American workers and the disruption of domestic markets.

The AFL–CIO, therefore, supports the general approach of the Orderly Marketing bill, H.R. 9912, introduced by Congressman Burke of Massachusetts, to stem the tide of imports through the imposition of quotas on imports of a product or component, whenever a significant share of the U.S. market in such a product or component is threatened.

International agrements to accomplish this purpose would supersede the imposition of import limitations, but quotas would be established for imports from countries that are not party to the agreements.

This approach provides for the orderly marketing of articles imported into the United states, as well as a flexible basis for allowing foreign-produced products to enjoy a fair share of the growth of the U.S. market in the product or component.

In the Trade Expansion Act of 1962, Congress recognized the concept of orderly marketing in section 352, which provides for international agreements on such import limitations. But this provision has not worked.

The AFL-CIO urges the committee to adopt legislation along the lines of the Orderly Marketing bill.

THE ESCAPE CLAUSE

The escape clause, under title III of the Trade Expansion Act of 1962, has not worked satisfactorily.

Both the administration bill (H.R. 14870) and the bill introduced by the chairman of this committee (H.R. 16920) recognize the need to remove the requirement to find a causal relationship between a tariff concession and the injury that results from imports. Thus, both bills would remove the burdensome, technical impediments to finding injury from imports.

However, these two bills differ on whether the imports are a "primary cause" of injury, as in the administration bill, or a "substantial cause," as in Chairman Mills' bill. We believe that the chairman's bill provides a more realistic test and we support it. Our concern is that imports be recognized as a cause of injury.

Both bills propose changes that affect the government's authority to reduce duties, in compensation for an escape clause action. We believe that the 20 percent request of the administration is too great and support the proposal of H.R. 16920, as more in line with the AFL-CIO request that this authority should be "minimal".

However, the most important cause of injury is the displacement of U.S. production and export of American jobs, while the escape clause deals with injury from imports.

We suggest, therefore, that the relationship of injury to a decline in U.S. production be fitted into the escape clause and other adjustment assistance provisions.

UNFAIR FOREIGN RESTRICTIONS

The administration has requested that the Congress strengthen the government's ability to act, when unfair trade barriers in foreign countries are applied to manufactured goods from the United States.

The AFL-CIO believes that such authority is contained in the 1962 act. But it has not been operative for manufactured goods. Therefore, we urge the Congress to clarify its intent on this.

ADJUSTMENT ASSISTANCE

The AFL-CIO has consistently advocated the concept of adjustment assistance. The AFL-CIO hailed the adjustment assistance provision in the Trade Expansion Act of 1962. But due to a rigid interpretation of the Tariff Commission, this provision has been of little value.

Between 1962 and 1969, there were only three findings of injury to workers; in 1970, there have been three more.

While the AFL–CIO continues to support the necessity of workable and effective adjustment assistance, we believe that it is merely a supplement to the needed, meaningful legislation on international trade and investment. Adjustment assistance is most decidedly not a substitute for such legislation.

Adjustment assistance, through the provisions of the administration's bill, is clearly necessary. Those workers, adversely affected by trade problems, who can be retrained and helped to relocate, most certainly should have adjustment assistance. Those whose jobs have been lost through injury from imports should most certainly receive benefits.

But the basic core of U.S. trade and investment policies should be aimed primarily at preventiing such job losses, with adjustment assistance as a cushion for those few workers who are, nevertheless, adversely affected.

Therefore, the AFL–CIO supports the administration's proposals for a workable adjustment assistance policy, which would provide for findings of injury by the President, with the Tariff Commission supplying factual information.

ITEM 807 AND SIMILAR PROVISIONS OF THE TARIFF SCHEDULES

The AFL–CIO urges immediate adoption of H.R. 14188, introduced by Chairman Mills, and the similar bill, H.R. 14455, introduced by Congressman Green of Pennsylvania, to repeal item 807 of the Tariff Schedules. We also urge repeal of item 806.30, which is a similar provision of the Tariff Schedules.

In introducing H.R. 14188 to delete item 807 from the Tariff Schedules, Chairman Mills declared on October 3, 1969, that:

> Item 807.00 is being exploited in a manner not originally anticipated by the Congress.
>
> If operations under it continue to expand and its use is adopted by other industries, the result will be loss of many jobs. While there may be meaningful economic operations being conducted under this provision. I am convinced that in many instances, it is being misused in some industries. Therefore, I feel the provision should be repealed until such time as the government can develop new language and assure that the operations under such a provision are economically viable and contribute to rather than damage the well-being of the U.S. labor force.

The AFL–CIO agrees with the chairman of this committee. Item 807 should be repealed. And the similar item in the Tariff Schedules, 806.30, should also be repealed.

Both items 806.30 and 807 provide reduced U.S. tariff duties on imports which contain U.S.-produced components and which have been assembled or processed abroad. The U.S. tariff duty is applied effectively to merely the value added in foreign assembly or processing—often, to merely the very low wages of workers in the foreign operations.

Under 807, the advantage to the firm is twofold. There is a substantial advantage from the utilization of American equipment and know-how in foreign assembly operations, usually combined with wages and fringe benefits that are 50 percent to 90 percent less than in the United States, and frequently accompanied by lower taxes in the foreign country. Item 807 adds to this a reduced tariff subsidy.

The issue is merely one aspect of a continuing and growing problem—the expansion of foreign subsidiary operations of U.S. firms. Continued delays in repeal of 807 and similar sections of the Tariff Code encourage the growth of these operations, with the displacement of U.S. production and employment.

Item 807 is one small loophole in the trade and investment structure for the advantage of U.S.-based multinational companies. It operates as a lubricant for the growing export of U.S. capital, which is a major factor in America's balance of payments difficulties.

It provides financial encouragement of foreign production, by U.S. firms, of goods that are sold in the U.S. market. It is a factor in the deterioration of both the volume and composition of the U.S. trade balance.

Like many tax loopholes, 807 and similar provisions tend to grow. Reported imports under 807 shot up from $577 million in 1965 to $1.6 billion in 1969. Moreover, these figures may well be understated, since multinational firms can juggle their prices in intracorporate transactions, for the benefit of the firm.

In addition, even the so-called U.S.-produced component, under 807, may not be what it appears. Such component may be an imported item, processed in the United States and assembled abroad, for shipment back to the United States under 807.

From 1967 to 1969, when reported 807 imports rose 77 percent, overall U.S. imports of all commodities increased 33.8 percent. Thus, 807 imports are growing at double the rate of overall U.S. imports.

The expansion of 807 operations has been phenomenally rapid since 1967, in countries like Mexico, Taiwan, other countries in the Far East as well as the lowest wage areas of this hemisphere.

Reported imports, under 807, from Mexico, alone, soared from $3.1 billion in 1965 and $19.2 million in 1967 to $145.2 million in 1969.

The figures on reported imports, under 807, indicate that the operations of U.S. firms in foreign countries, with the utilization of this provision, have led to the export of 100,000 or more American jobs between 1967 and 1969.

At home, the U.S. Government is engaging in numerous efforts to train unemployed workers for low-skilled jobs—jobs that are now disappearing, due to recent and current economic developments.

But 807 provides firms with a Federal subsidy to export such assembly and production jobs for the advantage of some companies and to the detriment of the American labor force, including the most disadvantaged.

While the executive branch has been examining the issue in these past few years, and while the National Alliance of Businessmen has been training, with Federal subsidies, a small portion of the disadvantaged unemployed for jobs in U.S. plants, and companies including NAB members, have heeded the encouragement of 807 to export needed jobs to low-wage foreign subsidiaries.

The issue of 807 involved tariff savings to the companies of approximately $24 million in 1968, which may have increased to about $30 million in 1969. Of the $1.6 billion in imports under 807 in 1969, all but $339 million were charged the duties appropriate for the imported items. Payment of the appropriate duties on the excluded $339 million would surely not break the companies involved, but it would eliminate this specific type of Federal inducement for the displacement of U.S. production and employment by runaway operations to countires whose wage levels are as low as 15 cents an hour. Moreover, it would end this Federal Government inducement for the export of American jobs.

INTERNATIONAL FAIR LABOR STANDARDS

Labor organizations in various parts of the world, as well as the AFL-CIO in the United States, have advocated the establishment of international fair labor standards. The development of such standards, through appropriate international channels, is essential to protect and advance living standards in the United States and in other nations, as well.

For years, there have been occasional discussions of this issue within the U.S. Government and in international agencies. But there has been no followthrough and no action.

This issue has grown in importance, as multinational business has been expanding its search to produce goods in subsidiaries in low-wage countries for sale at high prices in the industrial nations, particularly, the United States—without regard for labor standards or consumers.

The report to the President, "Future United States Foreign Trade Policy," issued on January 14, 1969, states:

> The United States should bring for review and resolution under appropriate provisions of the GATT cases of exports to this country produced under what it believes to be clearly unfair labor standards. The United States should also seek, through the GATT and the ILO and possibly other international organizations, to develop international agreement upon a workable definition of fair labor standards and upon realistic means for their enforcement.

The AFL-CIO urges the Congress to direct the executive branch to press for the establishment of international fair labor standards, as one essential step toward the development of a rational and socially responsible international trade and investment policy for the United States and all trading nations.

AMERICAN SELLING PRICE

The AFL-CIO is opposed to the administration's proposed repeal of the American selling price.

The resolution on international trade, adopted by the AFL-CIO convention in October 1969, declared—

> No tariff-cutting authority, beyond the authorization of the Trade Expansion Act of 1962 should be approved if there is any change of the methods of valuation of imports, such as the American Selling Price.

The Trade Expansion Act placed a 50-percent limit on tariff reductions. The administration's proposed repeal of ASP, as negotiated, could result in considerably greater tariff cuts for affected products. Such action, therefore, would be unfair.

In conclusion, Mr. Chairman, we of the AFL-CIO are not isolationists and have no intention of becoming isolationists.

We support an orderly expansion of world trade. We oppose the promotion of private greed at public expense or the undercutting of U.S. wage and labor standards. We want expanded trade that expands employment at home and abroad and that improves living standards and working conditions, here and abroad.

No single action or one-shot panacea can meet the complex issues of world trade, foreign investments of U.S. companies and the operations of U.S.-based multinational corporations.

A battery of realistic policies and measures must be adopted to meet the needs of the American people in world economic relations in the 1970's.

Practical, commonsense foreign trade and investment policies are needed that promote employment and achieve decent wages and working conditions—in the United States and in every nation with which we trade.

(The policy resolution referred to and tables appended to Mr. Biemiller's statement follow:)

(AFL-CIO Policy Resolution Adopted October 1969 by the Eighth Constitutional Convention Atlantic City, New Jersey)

International Trade

Organized labor's consistent support of U.S. reciprocal trade policies and the expansion of world trade has been based on the goal of increasing employment and improving living standards at home and abroad.

Changes in world economic condititons require changes in U.S. trade policies. The Reciprocal Trade Agreements Act was adopted in 1934, during a depression which was aggravated by world-wide protectionism. The General Agreement on Tariffs and Trade of 1947 was signed amidst war-devastated national economies in most parts of the world. The Trade Expansion Act was passed in 1962 with great expectations that have not been fulfilled and with the promise of adequate adjustment assistance for adversely affected workers and firms that has not been kept.

In 1967, the AFL-CIO called on the Administration and the Congress to reassess and revise the nation's trade policies, in the light of substantial changes in international investment, production, economic aid and trade. But these policies have not been updated. In 1969, the continuing deterioration of the U.S. position in world trade requires new national policies.

The overall U.S. position in foreign trade has deteriorated, while world trade has expanded substantially. In manufactured goods, U.S. exports have declined from 27.7 percent of world exports to foreign markets in 1958 to about 23 percent of much greater world exports in 1968. U.S. exports have been rising slowly, while imports, particularly of manufactured and processed goods, have been rising rapidly. The result has been a narrowing surplus of exports over imports—down to $800 million in 1968—and no improvement is predicted for 1969.

Temporary factors, such as the rapid growth of the U.S. economy from 1965 to 1968 and the more rapid rise in the price level since 1965, can explain only part of this deterioration. Basic causes of the change involve new factors that came to the fore in the 1960s and pose more serious problems for the 1970s.

By the 1960s, regional trading blocs and the revived economies of previously war-shattered nations were creating new trading conditions for the U.S.

During the past twenty-five years most countries moved to manage their national economies—with direct and indirect aids for exports and bars to imports that have affected the U.S. trading position.

The skyrocketing investments of U.S. companies in foreign operation—combined with licensing arrangements and patent agreements—have transferred American technology and know-how to plants throughout the world. As a result, the U.S. productivity lead has been narrowed or eliminated in numerous industries. Much of the foreign operations of U.S. firms, in plants, with American technology, that pay workers as little as 15 cents an hour, substitutes for U.S. production—exporting American jobs and displacing U.S.-produced goods in American and world markets.

The rapid growth of U.S.-based international companies has been substantially changing the composition, as well as the size of U.S. exports, imports and the trade balance. These companies can juggle exports, imports, prices, profts and dividends from one subsidiary to another, across national boundaries, for the private advantage of the firm. In 1969, a large share of U.S. exports and imports are intra-corporate transactions, within the structure of U.S.-based international companies.

Moreover, while U.S. trade, investment and aid policies have fostered expanded world trade and the rapid development of foreign production, many other nations' policies have failed to move in a similar direction, at a pace that would help equalize the healthy improvement of living standards among nations. In addition, emphasis on expanded trade in many industrial and developing nations has failed to take into consideration the need to expand consumer markets and to improve domestic economic and social conditions. At the same time, the vast American market, with its high living standards, is a prime attraction to the exports of foreign firms and foreign subsidiaries of American companies.

The combination of these conditions has resulted in soaring increases of imports of a wide and spreading variety of products and components in recent years—disrupting markets, with adverse impacts on workers, communities and smaller companies.

Old concepts and labels of "free trade" and "protectionism" have become outdated in this world of managed national economies, international technology, the skyrocketing rise of U.S. foreign investment and the growth of multi-national companies.

AFL–CIO support for the orderly expansion of trade does not include the promotion of private greed at public expense or the undercutting of U.S. wages and labor standards. Our support for expanded trade involves the expansion of employment at home and among our trading partners. Our objective is to actively promote improved living standards and working conditions here and abroad.

No single action can attempt to meet the varied complex of trade and investment issues. There is no single measure that can solve the problems of different groups of workers in different industries and product-lines.

A battery of realistic policies and measures must be adopted and implemented to meet the needs of over 200 million people in a diverse national economy of continental size. Therefore be it

RESOLVED: 1. The AFL–CIO supports the healthy expansion of international trade on a reciprocal basis in the national interest. The foundation of government policies on international investment, trade and economic aid should be the well-being of the American people.

2. Appropriate government and private actions should be encouraged to promote growing exports. Such expansion, however, has no priority over domestic needs. Tax incentives or subsidies to business for export purposes are unnecessary.

3. We call upon the government to enforce, without undue delay, the laws that apply to unfair competition from foreign countries, such as antidumping and other appropriate measures. Through administrative procedures, the U.S. should pursue concern for domestic interests, as foreign countries do for their national interests.

4. The Trade Expansion Act of 1962 should be revised. The escape clause mechanism should be made effective by changing the criteria for relief. The law should clearly state the objective of protecting jobs and labor standards.

Section 252 of the Act, which calls for the removal of U.S. concessions to any nation which raises unfair or unreasonable barriers to U.S. exports, should be rewritten to clearly include exports of U.S. industrial, as well as agricultural products.

Congressional authority to negotiate removal of non-tariff barriers should exclude any adverse impacts on U.S. minimum wage, national labor standards, consumer protection and social legislation.

An effective and workable trade adjustment assistance mechanism must be adopted, as an integral part of the nation's trade policy. Trade adjustment provisions should be amended to make the government's judgment of criteria for relief more realistic and equitable. The administration of trade adjustment should be changed to insure that a worker displaced by imports receives assistance. Decisions on trade adjustment assistance cases should rest in the Executive Branch of the government and not in the Tariff Commission.

Statutory authority should be granted to the President for emergency action, including trade restraints, to meet monetary and trade crises.

5. The International Cotton Textile Agreements should be renewed without any erosion in its safeguards against disruption or its effective enforcement. Supplementary agreements covering international trade in textiles and apparel made of other fibers should be negotiated or the AFL–CIO will support Congressional legislation for appropriate action.

6. Additional agreements to regularize world trade are needed and should be concluded in industries and for products sensitive to disruption by rapidly rising imports and unfair competition. We urge the Executive Branch of the government to negotiate, as soon as possible, international arrangements to prevent market and job disruption in such industries and products. If the executive agencies of the Federal government fail to engage in such negotiations, covering these problems, the AFL–CIO will support appropriate Congressional legislation.

7. Any extension of tariff-cutting authority for compensation purposes should be minimal.

8. No tariff-cutting authority, beyond the authorization of the Trade Expansion Act of 1962 should be approved if there is any change of the methods of valuation of imports, such as the American Selling Price.

9. The United States should seek the development of workable international fair labor standards in international trade through international negotiations. This aim should be sought not only to protect U.S. workers against unfair competition, but also to assure workers in other countries a fair share of the increased returns resulting from expanded trade. The United States should seek annual reports from member countries of the GATT on labor standards of exporting countries.

10. The United States should try to help developing countries in their efforts toward improved trade and economic development. The goal should be the development of viable free societies in those countries, with growing consumer markets and improving labor standards. Economic aid should emphasize internal, not trade-led development. Expanded trade should be viewed as a supplement to, and not a substitue for the sound economic development of those countries, based on expanding domestic markets.

Any exploration of preferences on semi-manufactured and manufactured products from developing countries should include appropriate mechanisms for preventing market disruption and adequate fair labor standards, as well as general, equivalent programs among all major industrial countries. In addition, commodity agreements that are effective both for producer and consumer interests should be worked out. Such agreements should contain effective clauses for fair labor standards; they could provide a basis for needed expanding consumer markets in the developing countries, as well as a fair share of economic progress for workers.

11. The export of U.S. capital and its effect on international trade should be thoroughly investigated and appropriate government, supervision and necessary regulations should be instituted. Until there is a basic improvement of the balance-of-payments problem, there should be direct restrictions and controls on U.S. investment in developed countries. Mechanisms for such restrictions are already established in all other major industrial countries. Effective tax policies should be adopted to prevent avoidance and/or evasion of U.S. taxation on profits from foreign investments. The Congress should examine the operations of international companies for the purpose of developing supervision and regulation of the operations of U.S.-based multi-national firms.

12. Consumer interests in international trade require adequate labeling of foreign products and foreign-made components by both the Federal Trade Commission and the Customs Service. The Federal Trade Commission and other administrative agencies of the U.S. government should emphasize the need for consumer protection and consumer information in the enforcement of the nation's consumer legislation.

13. East-West trade should be viewed as a tool of our nation's foreign policy, not a mere commercial issue. Appropriate precautions against exporting U.S. technology and prohibitions against exporting strategic items are essential.

14. The U.S. government should encourage the use of U.S. flagships and seek to remove freight rate discrimination against U.S. exports.

15. Item 807 and similar provisions of the tariff code, which provide financial encouragement to foreign production and the juggling of operations by international companies, should be repealed.

16. Studies should be conducted to determine new approaches to international trade. Such studies should include recommendations for better mechanisms, for dealing with problems of injury from trade, for examining new bargaining strategies, for improving the government's ability to collect and distribute information on international trade, investment and economic aid. Legislation should be adopted to require federal agencies to collect and publish information on international trade, aid and investment relationships and product flows. We ask the President of the AFL–CIO to appoint a permanent committee to study in depth the problems caused by multi-national corporations.

TABLE I.—U.S. MERCHANDISE TRADE

[Dollars in billions]

	Exports[1]	Imports	Balance of trade
1960	$19.7	$15.1	$4.6
1961	20.2	14.8	5.5
1962	21.0	16.5	4.5
1963	22.5	17.2	5.3
1964	25.8	18.7	7.1
1965	26.8	21.4	5.3
1966	29.5	25.6	3.9
1967	31.0	26.9	4.1
1968	34.1	33.2	.8
1969	37.3	36.1	1.3

[1] Totals include reexports, which amount to about $400,000,000 in recent years as well as shipments under AID and Food for Peace programs, but exclude military grant-aid shipments.

Note: Details will not necessarily add to totals because of rounding.

Source: Economic Report of the President, February 1970, p. 278.

TABLE II.—U.S. TRADE IN MANUFACTURED GOODS

[Dollars in billions]

	Exports[1]	Imports
1960	$12.6	$6.6
1961	12.8	6.5
1962	13.7	7.6
1963	14.3	8.1
1964	16.5	9.1
1965	17.4	11.2
1966	19.2	14.4
1967	20.8	15.8
1968	23.8	20.9
1969	26.8	23.0

[1] Totals include reexports, which amount to about $400 million in recent years, as well as shipments under AID and food for peace programs, but exclude military grant-aid shipments.

Source: "Economic Report of the President," February 1970, p. 278.

TABLE III.—ANNUAL PERCENTAGE CHANGE IN U.S. EXPORTS AND IMPORTS, 1960–69

	Exports[1]	Imports
1960–61	$2.9	−$2.1
1961–62	3.8	11.5
1962–63	7.1	4.5
1963–64	15.0	9.0
1964–65	3.6	14.3
1965–66	10.2	19.5
1966–67	5.2	5.0
1967–68	9.8	23.6
1968–69	9.5	8.5

[1] Totals include reexports, which amount to about $400 million in recent years, as well as shipments under AID and food for peace programs, but exclude military grant-aid shipments.

Source: "Economic Report of the President," February 1970, p. 278.

TABLE IV.—SELECTED LEADING NONAGRICULTURAL COMMODITIES IN U.S. FOREIGN TRADE, 1962 AND 1969, AND PERCENTAGE CHANGE

[Dollars in millions]

Commodity	Imports 1962	Imports 1969	Imports Percent change	Exports 1962	Exports 1969	Exports Percent change
Ores and metal scrap	$721	$1,013	$40.5	$314	$712	$126.8
Coal				376	594	58.0
Petroleum and products	1,791	2,560	43.0	430	440	2.3
Chemicals	1,129	1,232	62.1	1,876	3,383	80.3
Nonelectrical machinery [1]	540	2,624	385.9	4,087	7,461	82.6
Electrical machinery and products [2]	415	1,947	369.2	1,361	2,678	96.8
Autos, trucks and parts	515	4,624	797.8	1,365	3,515	157.5
Motor cycles	24	166	591.7			
Aircraft and parts	123	283	130.1	980	2,398	144.7
Rubber products	56	147	162.5	146	195	33.6
Paper and products	774	1,081	39.7	286	585	104.5
Glass and glassware	84	181	115.5	90	167	85.6
Steel	457	1,724	277.2	455	940	106.6
Nonferrous base metals	892	1,374	54.0	407	712	74.9
Leather	49	89	81.6			
Wood	204	466	128.4			
Textiles	663	1,019	53.7	492	576	17.1
Clothing	368	1,106	200.5	88	178	102.3
Footwear	133	488	266.7			
Furniture	33	192	481.8	35	55	57.1
Travel goods, handbags and small leather goods	25	97	288.0			
Scientific instruments	18	77	327.8	192	453	135.9
Photographic equipment and supplies	82	180	119.5	129	400	210.1

[1] Includes engines, tractors, computers, factory and office machinery.
[2] Includes power machinery, generators, control instruments, radios and TV.

Source: U.S. Department of Commerce, Overseas Business Reports, 69–2 and 69–3, March 1969, pp. 4–12; 70–3, March 1970, pp. 5–13.

TABLE V.—PLANT AND EQUIPMENT OUTLAYS OF DIRECT FOREIGN INVESTMENTS 1960–70

[Dollars in billions]

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	[1] 1970
Total	$3.8	$4.1	$4.6	$5.1	$6.2	$7.4	$8.6	$9.3	$9.4	$10.6	$12.7
Mining and smelting	.4	.3	.4	.4	.5	.6	.8	.9	1.0	1.2	1.3
Petroleum	1.5	1.5	1.6	1.9	2.1	2.3	2.5	3.0	3.3	3.7	3.9
Manufacturing	1.4	1.8	2.0	2.3	3.0	3.9	4.6	4.5	4.2	4.6	6.1
Other	.5	.5	.5	.5	.6	.7	.7	.8	.9	1.1	1.4

[1] Projected.

Note: Details may not add to totals because of rounding.

Source: Survey of Current Business, September 1966, May 1967, September 1969 and March 1970. U.S. Department of Commerce and releases from Office of Business Economics.

TABLE VI.—*Private capital outflow from the United States for direct investment in foreign operations*

[Dollars in billions]

Year:	*U.S. direct private investment (net)*
1950	$0.6
1960	1.7
1961	1.6
1962	1.7
1963	2.0
1964	2.3
1965	3.5
1966	3.6
1967	3.2
1968	3.0
1969	4.1

Source: *Economic Report of the President, February 1970,* p. 277.

TABLE VII.—SUMMARY OF U.S. IMPORTS UNDER ITEM 807 1965–69

[Dollars in millions]

	1965	1966	1967	1968	1969
Total	$577	$890	$931.7	$1,432	$1,649
U.S. exports reimported under item 807[1]	[2] 76.2	113.3	146.6	225.3	339

[1] Most reports call these U.S. parts and analysts tend to claim that the total volume represents U.S. production which creates U.S. jobs related to that total volume. But the law requires only that they be "the product of the United States." Technically that does not require total production in the United States. Mere processing of an imported item can make it "the product of the United States." Thus a textile can be imported, cut in Los Angeles, and sent to Mexico, under 807 and returned. Or electronic components can be imported, processed slightly, exported and reimported under 807. Jobs for a few cutters and shippers or a few electronic employees may be involved in a high volume of "U.S. exports."

[2] Includes $42,000,000 in auto parts shipped to Canada and returned (such parts not included under 807 after Automotive Products Trade Act of 1965 because autos and parts entered the United States duty free after that date).

Source: Data compiled, some of it preliminary, from Census Reports Foreign Trade Report IM-145-A and IA-245-A.

TABLE VIII.—U.S. IMPORTS FOR CONSUMPTION UNDER TSUS 807 BY COUNTRY 1965–69

[Dollars in millions]

Country [1]	1965 Total	1965 U.S. exports	1966 Total	1966 U.S. exports	1967 Total	1967 U.S. exports	1968 Total	1968 U.S. exports	1969 Total	1969 U.S. exports
West Germany	$248.5	$4.0	$443.7	$4.7	$464.4	$7.9	$685.7	$7.8	$616.8	$5.6
Canada	151.0	34.7	116.3	36.6	137.8	39.5	188.1	48.9	243.2	66.9
Sweden	31.8	1.3	44.2	1.9	60.0	1.3	81.7	1.3	58.2	.2
United Kingdom	43.6	6.6	112.5	13.2	53.7	9.5	57.0	7.0	74.1	9.4
Hong Kong	19.5	10.5	41.1	18.9	51.2	16.4	64.7	35.2	90.7	50.7
Japan	27.1	3.1	42.0	9.0	32.4	7.1	90.4	17.0	132.9	22.5
France	9.1	3.0	33.3	10.3	28.6	8.7	22.3	7.0	21.3	6.7
Mexico	3.1	1.3	7.0	3.6	19.2	12.3	73.3	49.5	145.2	95.8
Ireland	9.5	3.9	16.3	5.1	17.0	4.6	17.5	4.5	19.8	5.4
Belgium [2]	11.4	3.8	8.9	3.3	16.2	6.0	44.9	5.2	74.0	5.4
Taiwan	1.8	.9	6.6	3.4	16.2	7.3	49.9	18.8	68.1	23.6
Other	21.0	3.1	17.9	3.3	35.0	26.0	56.5	23.1	104.9	47.2
Total	577.4	76.2	889.8	113.3	931.7	146.6	1,432.0	225.3	1,649	339.4

[1] The 11 countries accounted for 96 percent of the total value of imports under TSUS 807 and 82 percent of the U.S. component value of such imports in 1967.

[2] Includes Luxembourg.

Source: Unofficial statistics of the Department of Commerce. 1969 data from Tariff Commission.

TABLE IX.—IMPORTS UNDER ITEM 807 IN 1969 FROM COUNTRIES LISTED AS "OTHER"

[Dollars in millions]

	Total	U.S. exports
Barbados	$3.2	$2.2
Brazil [1]	4.1	2.5
Denmark	2.4	.2
Haiti	4.0	2.4
Italy	10.8	1.3
Jamaica	7.7	5.1
Korea	20.1	13.8
Netherlands	12.7	2.1
Philippines	5.2	3.5
Portugal	8.4	4.0
Singapore	6.8	2.6
Spain	1.4	.2
Trinidad	2.9	1.0

[1] Almost all of this is in TSUS 676.52 parts for office machines.

The CHAIRMAN. I want to thank you for your very fine statement. We appreciate having it. It gives us a lot of very fine material we can study as we proceed with this matter in hearings and in executive session.

You have pinpointed, I think, the fact that our problems are not exclusively in the area of textiles, wearing apparel and shoes. I was amazed to find in the investigation of some of our imports made just before the commencement of the hearings, that some of our most sophisticated products, machinery and things of that sort, are being imported at a far greater increase within the period of time since we last enacted the reciprocal trade agreements program in 1962 than are our exports.

What we really need, I guess, in this area, is the same degree of cooperation that the Free World has utilized in connection with monetary problems that we have had develop throughout the world.

Also, we do need, I think, to make a very strenuous effort, as you point out, to encourage other nations to recognize that the greatest market there is for any nation in trade is its home market, and, as a nation grows economically, I think that nation should recognize the necessity of dividing that growth among its people fairly, which means an increase in the living standards of its people.

As these living standards go up, of course, the value of that home market goes up.

It is not necessary for the countries, therefore, to have to depend, under those circumstances, to the extent that they now depend on the export of so much of their product in order to continue to grow.

How can we, by direction, however, accomplish the result that you want of redevelopment abroad of higher standards for those who export so much of what they produce?

Mr. GOLDFINGER. Mr. Chairman, we most decidedly agree with the general approach you just stated. The approach of international cooperation is the ideal one. This takes an awful long time to achieve, however. It may well be, in these kinds of very complex issues, a time longer than our lifetimes.

In our judgment, it is for that reason that we need United States Government policies now, rather than to wait another decade or two or three before we achieve the needed kinds of international cooperation which are so hard to get.

We suggested, for example, in the statement Mr. Biemiller just presented, that we think the United States Government should press hard for the early establishment of international fair labor standards.

But aside from that, we think we need to get at some of the very basic issues, such as the outflows of American capital, the increasing operations of foreign subsidiaries of U.S. firms, the operations of U.S. multinational corporations, and that the U.S. Government has to deal with what is euphemistically called the nontariff barriers of foreign countries. These so-called nontariff barriers are essential parts of the economic national frameworks of those governments.

What we are recommending is that in terms of the realities and unresolved problems, we have to move very fast, in terms of an orderly marketing approach, to place limitations on the imports of those products where imports are rising sharply, disrupting U.S. markets considerably, and displacing U.S. production and employment.

The CHAIRMAN. What prompted my question, Mr. Goldfinger, was this: I agree completely with the point you make about the long time that would be consumed through GATT trying to negotiate with the various countries of the world on the question of labor standards.

Within the development of a trade program suitable for the 1970's, how would you have the Congress write in language that would bring about those improved labor standards and working conditions at an earlier date?

Mr. GOLDFINGER. In our judgment, sir, it would be most difficult for the Congress of the United States to write into an American statute, the labor standards, in any precise form, that would apply elsewhere.

The CHAIRMAN. I understand that.

Mr. GOLDFINGER. However, what we are suggesting, sir, is that the Congress of the United States direct the executive branch to press in the appropirate international agencies for the establishment of international fair labor standards. There has been considerable discussion of this issue, on and off now for well over a decade.

But as pointed out in the statement Mr. Biemiller presented, there has been no followthrough and no action. The discussions have usually been left off in midair.

The CHAIRMAN. I think it goes back further than that. It is my recollection that when President Roosevelt recommended the program initially, he pointed to the fact that through international trade living standards would be increased for all of the countries participating in world trade.

I assume that has happened, to some extent, in all countries. But in many of the countries of the world the great difference is what you pointed out, the difference in the wages that are paid for comparable work.

What I am getting at is this: We have always protected our own market the best we could by Federal legislation from exploitation of labor—the Child Labor Act, minimum wages, the many things we have written into law.

But we make no effort, apparently, to safeguard that same product from products abroad that are produced under conditions that we do not allow to exist here.

Mr. GOLDFINGER. That is definitely true.

At a minimum, perhaps we need some kind of complaint mechanism machinery for raising these issues of import labor standards in world trade, in official fashion, and also to require member nations of the GATT to file annual reports on their labor standards.

The CHAIRMAN. That is what I was getting to. I know we can't write standards for other countries, but certainly we have the determination as to what goods we will accept in the United States, do we not?

Mr. GOLDFINGER. Yes.

The CHAIRMAN. We do require that certain things imported into the United States, for instance, meet our standards for protection of health, safety, and so on.

I wondered if there was any way that this factor could be written into law in some way so as to bring a degree of compulsion on other countries to do something in the area, in return for access to this market.

I have had people talk to me about it. I wonder whether or not such thought is worthy of consideration.

Mr. GOLDFINGER. We think so, and we would be glad to discuss this issue at greater length with you, sir, and with the staff of this committee.

The CHAIRMAN. Thank you.

Mr. Byrnes.

Mr. BYRNES. Thank you, Mr. Chairman.

I want to compliment you on your statement, Mr. Biemiller. I don't know whether you find it so, but I seem to find a considerable similarity between the position you are now taking and the position I took in 1962 and also in 1967. I think we are coming closer together, don't you?

Mr. BIEMILLER. You will recall that 2 years ago we had this same situation developing, and I am inclined to agree. I think that our positions on this issue are coming much closer together than they were a decade ago.

Mr. BYRNES. Let me ask about this labor standards situation, whic: I agree is a very important factor. To what degree has the AFL-CIO developed information showing a comparison between our labor standards and those that exist in other leading world trading countries?

Mr. GOLDFINGER. It is very difficult to get any precise information of that sort by us, by private organizations. The U.S. Department of Labor does have a regular, small operation that follows such issues.

Mr. BYRNES. But you have constant contact with labor groups in the free nations of the world, don't you?

Mr. GOLDFINGER. Yes; we do.

Mr. BYRNES. And from that, don't you try to at least develop some generalized information with respect to general wages and fringe benefits in, let us say, Japan, Britain, Germany, and the other major industrial nations?

Mr. GOLDFINGER. Yes, sir. We do exchange such information. The information is exchanged in various forms, such as through the International Trade Union Secretariats, and information is exchanged among the various organizations.

The wage comparisons are difficult but they are relatively easy, by comparison with attempts to work out, in any monetary form, comparisons of fringe benefits. But even these things have been done. They take a lot of time.

As I said, the U.S. Department of Labor does have within it a small group that follows this kind of stuff in greater detail than we are capable of doing.

Mr. BYRNES. It would be my intention to ask them to supply that for the committee. If there are representatives of the Department of Labor here, and I hope there would be, I would ask them to take that message back to the Department.

(The following material was received by the committee from the Department of Labor:)

ESTIMATED AVERAGE COMPENSATION PER HOUR WORKED BY WAGE EARNERS OR PRODUCTION WORKERS IN MANUFACTURING, SELECTED COUNTRIES, 1969

[In U.S. dollars]

Country	Published average hourly earnings	Estimated total compensation per hour worked	Exchange rate (national Currency units per U.S. dollar)
United States	$3.19	$3.90	
Belgium [1]	1.15	1.71	50 Belgium francs.
Canada	2.57	3.05	1.08 Canadian dollars.
France [2]	.97	1.52	4.937 French francs. [3]
Italy [1]	.79	1.38	625 lire.
Japan [4]	.76	.83	360 yen.
Netherlands [1]	1.14	1.66	3.62 guilders.
Sweden [5]	2.05	[6] 2.53	5.173 kronor.
United Kingdom [7]	1.16	1.30	100 pence.
West Germany [8]	1.31	1.79	3.94 deutsche marks. [9]
Hong Kong [10]	.26	([11])	6.06 Hong Kong dollars.
Mexico [12]	.64	.79	12.5 pesos.
South Korea [13]	.17	.19	283.7 won.
Taiwan [14]	.18	([15])	40.10 yuan dollars.

[1] April.
[2] September 1968.
[3] Exchange rate in effect in September 1968. The French franc was revalued on August 10, 1969, to 5.554 francs per U.S. dollar.
[4] November 1968–October 1969. Data relate to regular employees in establishments employing 30 workers or more. Temporary and casual workers who have worked in an establishment for less than 18 days in either of the last 2 months or for less than 60 days in the last 6 months are excluded.
[5] Includes mining.
[6] Excludes private welfare expenditures, such as private pension plans.
[7] October.
[8] Average of January, April, July, and October.
[9] Weighted average of the 4 deutsche marks per U.S. dollar in effect from January 1 through October 25, 1969, and the 3.66 deutsche marks per U.S. dollar in effect beginning October 26, 1969.
[10] March. Earnings exclude overtime pay.
[11] Not available. However, the published earnings data include holiday pay; the New Year and other bonuses; other cash allowances, such as electricity allowances; free or subsidized food or food allowances; and free or subsidized housing.
[12] December 1968–November 1969. Data relate only to a sample of manufacturing establishments in the industrial districts of Mexico City, Guadalajara, Monterrey, Orizaba, Puebla, and Torreon.
[13] October 1968–September 1969.
[14] 1968.
[15] Not available. However, the published earnings data include regular premiums and bonuses, family allowances, the market value of payments in kind, and wages paid to persons absent from work. Annual bonuses are probably excluded. A bonus of 1 to 2 months pay is reportedly paid at the time of the Chinese New Year.

Note: Earnings are the usually published figures for each country unadjusted for comparability. They do not represent the same items of labor compensation in each country because of differences in the treatment of various fringe benefits. Earnings generally refer to gross cash payments to workers before dedcutions for taxes and social security, and include overtime pay, shift differentials, regular bonuses and premiums, and cost-of-living allowances. Holiday, vacation, and sick leave pay, bonuses not paid regularly each pay period, payments in kind, and other fringe benefits are included by some countries, excluded by others. The earnings data are per paid hour for some countries, per hour worked for other countries.

Compensation refers to all payments made by employers directly to their employees, before deductions of any type, plus employer contributions to legally required insurance programs and private welfare plans for the benefit of employees. Compensation is not equivalent to total labor cost, which includes additional employer expenditures for such items as training; recruitment; the cost of canteens, medical services, and various other welfare facilities and services; and payroll taxes for general revenue purposes.

The figures on total compensation per man-hour worked are the best estimates currently available to the Bureau. The figures for the United States, Canada, Japan, the member countries of the European Economic Community, the United Kingdom, and South Korea were estimated by the Bureau on the basis of labor cost or labor compensation surveys covering the year 1968 in the United States, Canada, and Japan; 1966 in the European Economic Community and South Korea; and 1964 in the United Kingdom. No adjustments have been made for possible changes in the ratios of total compensation to published earnings data that may have occurred since the dates of the labor cost or compensation surveys. Any needed adjustments would probably be small with the possible exception of the United Kingdom. Estimated compensation fm Sweden was derived from a Swedish analysis of labor costs in 1968. Estimated compensation for Mexico was derived troor 1968 establishment data on earnings and fringe benefits.

Source: U.S. Department of Labor.

Mr. BYRNES. I also would appreciate it if you would furnish the committee what information you have, with the recognition that it is not necessarily scientifically accurate. But at least we could obtain from it a general idea of the variations between standards in this country and in other industrial nations with which we are in competition, not only in our own market, but in their markets, and also in third markets.

Mr. BIEMILLER. We have some studies that are available and we would be very happy to supply them to the committee, Mr. Byrnes.

Mr. GOLDFINGER. Only within the past couple of days we attempted to work out some rough estimates of hourly wages in a number of countries where foreign subsidiaries are now operating.

These are rough estimates and I wouldn't swear as to their being precise. It looks to us like the average hourly wages of factory workers in Brazil are probably about 32 cents an hour; in South Korea they are probably in the area of about 14 cents an hour; in Portugal, about 21 cents an hour; in Trinidad, about 37 cents an hour.

Mr. BYRNES. If you would, supply other information you have in this area, I think it would be helpful to the committee.

(The following information was received by the committee:)

APPROXIMATE WEEKLY AND HOURLY WAGES OF FACTORY WORKERS

	Per week [1]	Per hour [2]
Barbados	$13.25	$0.28
Brazil	15.24	.32
Jamaica	20.83	.43
Haiti	(3)	(3)
Trinidad	17.67	.37
Philippines	10.78	.22
Singapore	14.88	.31
South Korea	6.90	.14
Italy	34.08	.71
Portugal	9.90	.21
Spain	21.60	.45
United States (1969)	129.51	3.19

[1] Assumes a 6-day week.
[2] Assumes a 48-hour week.
[3] Not available.

Source: These estimates are based on reported weekly, monthly, and hourly earnings of workers in manufacturing, in foreign currencies, converted into approximate U.S. dollar equivalents by the AFL–CIO Research Department. If the U.S. Government required U.S. companies to report the wages, fringe benefits, weekly, and monthly working hours, paid to production and maintenance workers in their foreign subsidiaries, in both foreign currencies and U.S. dollar equivalents, more accurate information would be more readily available.

Mr. BYRNES. I think I heard you say, in effect, at some point in your statement, that most of our manufactured goods which are exported tend to be items with a low-labor content, while our imports tend to be of a high-labor content.

Did you say that, or would you agree that it seems to be the case?

Mr. GOLDFINGER. Yes; that is generally true, sir. But as the chairman just indicated a few moments ago, to an increasing degree, imports now include relatively sophisticated products as well as the more simple products.

Mr. BYRNES. I agree that this the trend.

The reason I am so concerned is the number of jobs that are involved as presented to this committee by Mr. Shultz the other day. I think it was 2½ million jobs.

Mr. GOLDFINGER. It is on page 10 of Mr. Biemiller's statement, toward the bottom of the page.

Mr. BYRNES. Two and a half million additional workers; yes.

The Secretary also said that the estimated number of jobs involved in exports was about 2,700,000. I questioned his figure and suggested that the committee might like to have the basis for it. It seems inconsistent to me that there should be more jobs involved in exports which, fundamentally and monetarily, are pretty much in balance. I was under the impression that exports consisted of items that, for the most part, were of low labor content, whereas imports were of high labor content.

Doesn't it seem to you that there is some missing element here, in that there are more jobs involved in exports than in imports?

Mr. GOLDFINGER. I most decidedly agree with you. I think your question to Secretary Shultz is most appropriate.

However, if we were to take the Labor Department's figures and run them back, here is what you find, on their own basis: In 1960, they claimed there were 2.3 million jobs involved in merchandise exports, including agricultural exports. So from 1960 to 1966, they say it increased to 2½ million.

In other words, a 200,000 rise in export-related jobs from 1960 to 1966, and then the Secretary reported, I gather from what you say, that it rose an additional 200,000 by 1969. So in the decade of the 1960's, the increase in the number of export-related jobs, using their basis, was something like 400,000, while, on the other hand, using their same base, their same figures, there was a much greater job loss due to the rising tide of imports.

Using the Secretary's figures from 1966 to 1969, there was a job loss of about 700,000 due to competitive imports, while there was a rise of about 200,000 jobs due to increased exports. That's a net loss of 500,000 jobs in 3 years.

I think that even when you use their figures, you can see the nature of the growing problem to the United States in the displacement of American employment.

Mr. BYRNES. As you well point out, and as I pointed out, really, in 1967, one of the greatest areas of job needs in this country is for unskilled and semiskilled jobs. I also pointed out this was a crying social need, too.

Unfortunately, these tend to be the kind of job opportunities that more and more are filled by foreign exporters to this country.

Mr. GOLDFINGER. Yes, sir.

Mr. BYRNES. You mentioned the problem of the multinational corporation. I think we all have to realize that this is, indeed, a factor in the international trade area, and cannot be ignored.

I wonder, though, if you haven't oversimplified this situation and ignored the dilemma that faces us in this country.

My point is that I don't believe there is any particular advantage, or encouragement, that our Government gives to a U.S. corporation in its operation on a multinational basis, which is not also available to corporations of other countries, be they British, German, or what-have-you, which operate on a multinational basis.

Let me make this one other statement in that regard: Some time ago we compared the tax burdens that we impose on American branches, or American subsidiaries, operating abroad with the home tax of corporations of other countries which also operate abroad through subsidiaries or branches.

The information we received at that time, if my memory serves me right, was that U.S. corporations operated under greater handicaps, with greater tax burdens, than did most corporations of other countries which were operating outside of their homeland.

Am I wrong in that?

Mr. GOLDFINGER. In the first place, it seems to me that what the multinational company does may well be rational for the company, in terms of the management and stockholders of the company. But that rational decision for the company is not necessarily rational in terms of the interests of the United States as a nation and of the American people.

Mr. BYRNES. I am addressing myself here to the treatment of U.S. multinational corporations as against, let us say, treatment of British multinational corporations or Dutch multinational corporations, or German multinational corporations.

Is it true that the U.S. multinational corporation has an advantage in the world market?

Mr. GOLDFINGER. I don't know offhand how it stacks up one against the other, but I believe they have an advantage.

Mr. BYRNES. Don't we have to look at that factor?

Mr. GOLDFINGER. Let me give you a couple of indications of advantages. I have here a February 1970 report of the U.S. Department of Commerce entitled "International Transfer of Technology." This report states, "Virtually all nations do make use of capital controls, especially with regard to direct investment abroad."

We had no capital controls on direct investment whatsoever in this country until the monetary crisis of a couple of years ago, and those controls were minimal. They have been relaxed since.

This is one example of the kind of advantage that these companies have in relation to foreign multinational companies.

Another example is the operation of section 807 which was included in Mr. Biemiller's statement.

Mr. BYRNES. I understand section 807.

I think that very definitely a loophole was developed there. That is not to our advantage, and, in fact, it is to our disadvantage in terms of jobs.

I don't disagree at all that as we look at today's trade, we have to look also at this new development, the multinational corporation. I wonder, though, whether we do not oversimplify it, and whether we really do not get an inaccurate picture, when we address ourselves to the U.S. multinational corporation particularly, instead of multinational corporations generally. Don't we have to tailor, to some degree, what we do to what other nations do, vis-a-vis multinational companies that have their basic organization in the foreign country involved.

Is it fair, in other words, to single out U.S. multinational corporations, and say we are going to cut them down to size, and still expect them to compete against untouched multinational corporations from Britain, Japan, Germany, Switzerland, Holland, or wherever? That is my basic point.

Mr. GOLDFINGER. Most of the multinational corporations happen to be U.S.-based. It is true that there are many that are based in England, Holland, and so forth.

But the reason for our emphasis here on the U.S.-based multinational corporation, is that we are discussing the impact on the United States.

The ideal solution, as I stated a little while ago in reply to a comment by the chairman, would obviously be an international solution, which is a long way off, probably beyond our lifetimes.

We are discussing here the impact of the U.S.-based multinational corporations on the export of American technology and the export of American jobs, and the impact of these multinational corporations on the deteriorating position of the United States in world trade. European countries do not permit a free and easy displacement of their production and employment.

It is for that reason that we place that emphasis here. It is our conviction that in the absence of international regulation and international law—there isn't even an effective international law regarding the multinational corporations—we believe that the U.S. Government has to do something about this in the interest of the American people, has to step in and start acting, has to begin to regulate the operations of these U.S.-based companies.

Mr. BYRNES. I gather you are suggesting that we put restraints on U.S. corporations operating abroad and developing into multinational corporations.

I wonder if that does not, in the end, simply give encouragement there to other countries to take over third country markets through development of their own multinational corporations.

It seems to me that national policies, in some countries, are much more liberal than ours and, for example, can give a British multinational corporation a distinct advantage over an American multinational corporation operating in the world trade.

If we are going to grapple with this problem realistically, don't we have to look at whether we encourage them to stay home, rather than act through restraints which simply put them at a complete disadvantage in competing with foreign producers.

Do you get the point I am making?

Mr. GOLDFINGER. Yes. We believe that restraints and regulations on these multinational corporations are essential. We insist that the interests of the United States as a Nation, and of the American people, are not necessarily the same as the multinational corporations.

The decisions of the multinational corporations to export American jobs and to displace U.S. production may be perfectly rational in terms of the sales and profit maximization of the corporation, but they aren't necessarily in the best interests of this country.

Mr. BYRNES. But which is preferable from a national policy basis, imports of item X from a British multinational corporation or from a U.S. multinational corporation operating abroad?

It would seem to me it would be in our best interest that the imports come from an American corporation abroad, because at least we would get something of value out of the exchange.

Mr. GOLDFINGER. The stockholders of the U.S. corporations may be getting the benefits. I don't know that the American people are.

Mr. BYRNES. But we get nothing from a German corporation that happens to be sending imports into this country.

Mr. GOLDFINGER. We are not suggesting a one-shot panacea, sir. We are suggesting a battery of programs. We are suggesting an orderly marketing approach on the rising tide of imports of manufactured goods.

We are recommending an improvement in the escape clause. We are recommending that the Government press for the development of international fair labor standards. And we are also recommending that the Government face up to the realities and problems of foreign subsidiary operations and of the operations of the multinationals.

Mr. BYRNES. I don't think we disagree in our basic objective, to have these people operating here and have more jobs here.

Mr. GOLDFINGER. Absolutely.

Mr. BYRNES. We also want to protect jobs here from undue, unfair competition from abroad.

Mr. GOLDFINGER. Yes, sir.

Mr. BYRNES. But I don't know that we work in that direction if we simply play into the hands of foreign producers or foreign countries who are taking the attitude of "Yankee, go home" or "Yankee, stay out."

There is no question in my mind that we should offer greater encouragement to keep job opportunities here, producing in this market for third country markets.

Mr. GOLDFINGER. We are obviously for defending U.S. production and U.S. employment. I don't see necessarily the great advantage of the U.S.-based multinational corporation. For one thing, sir, one of the problems in a multinational corporation is an identity crisis. We don't know who they are. Are they American corporations or foreign corporations?

When a foreign subsidiary of a U.S. company operates in a foreign country, is it a foreign entity or is it an American entity? They legally operate in the foreign country as a foreign entity, but they also want American Government protection. They want all the advantages of both a U.S. firm and a foreign firm with little or no responsibbility to the United States.

Furthermore, the theorists of the multinational corporations tell us, as Prof. Neil Jacoby, of the University of California at Los Angeles recently pointed out, "The final stage of the multinational corporation is that it multinationalizes the ownership of the corporate stock and becomes multinational in management as well from top to bottom."

He furthermore says, "Whatever the legal format, it becomes a working corporate citizen within many nations. This makes the word 'multinational' accurately descriptive of its character."

Mr. BYRNES. I think you are really making the same point I am making, after a fashion. You don't control this situation by putting the words "United States" in front of the words "multinational corportion." That oversimplifies things. The problem can't be cured just by treating multinational U.S. corporations. We have to look at the problem of multinational corporations generally.

That is the only point I am trying to make. We have to be sure we are not jeopardizing our own export potentials in third markets.

No matter how good a program you have for protecting the domestic market against unfair competition from imports, you also should as a national policy, be trying to furnish and supply and compete in third-country markets.

I think there are bigger and broader problems than your statement seems to indicate, where you make reference to the problems created by U.S. multilateral corporations.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Watts?

Mr. WATTS. I might make a comment.

I listened very carefully to your statement. I think it is a very fine statement. I find myself in agreement with the vast bulk of it. I do recognize the point that Mr. Byrnes was talking about.

As long as the cheap labor markets exist, some corporation from somewhere is going to move in and take advantage of it. The proceeds of that work, what they make, will find its way into the American market.

I don't know whether you would actually cure the situation by saying an American company shouldn't take advantage of that cheap labor and allow everyone else to take advantage of it.

Is that your point, Mr. Byrnes?

I don't know whether we would cure the situation by prohibiting the American companies from doing that.

What disturbs me is the loss of American jobs. If you are going to let Germany ship their stuff in here as a multicorporation, and let Japan do it, do we accomplish anything if we just shut our people out of the market, or do we have to take some other tact?

Mr. GOLDFINGER. We are disturbed, as you are, sir, by the loss of American jobs and displacement of U.S. production. Obviously, this is our main concern and its related impact on the deterioration of the U.S. trade position.

As we have pointed out, the ideal solution for this kind of growing problem is in the international area in terms of international cooperation. But that is such a long way off that we can't depend on it.

We need U.S. Government policies and programs now. We have to get at this not in a one-shot, one-sided way, but in terms of a battery of efforts and measures.

This is what we have been advocating. This was the thrust of Mr. Biemiller's statement.

Mr. WATTS. I recognize the thrust of his statement. As I said, I am practically in agreement with everything he said.

What bothered me was Mr. Byrnes' question—well, it didn't bother me. I pretty much agreed with the way he felt about it. We all admit that somebody is going to take advantage of this cheap labor market, are they not, somewhere?

Mr. GOLDFINGER. That is true, yes. But what also has been happening is that American technology is being exported, and part of that technology has been developed at taxpayers' expense. These are related issues of low wages, American technology, and knowhow.

Moreover, labor is not mobile. Capital is mobile. The corporations are moving capital around the world globally for their private advantage and the workers in the United States frequently are left high and dry, as in the example given of the Zenith shutdowns, the Motorola example, and we can give you many others.

These are the issues that disturbs us: The displacement of U.S. production, the export of American jobs, the export of American technology, and the barriers in foreign countries to our exports while they subsidize their exports to the United States.

Mr. WATTS. All of those things disturb me very greatly, too, particularly the barriers and the exporting of our technical knowledge.

But I happen to know, and I am sure you have to agree with me, that as long as some foreign corporation has the money to pay the technician who is over here and make it attractive enough, they are going to get that knowledge anyway.

It isn't necessary, the way I see it, for an American company to export abroad that knowledge because if the foreign country wants it and a foreign company wants it, and they make the offer attractive enough, being human beings, they will filter it over there, is that correct?

Mr. GOLDFINGER. Yes; that is true. But what is happening here in the cases we have discussed, and we can give you numerous others, is that companies are shuting down their operations within the United States and setting up operations in foreign countries with American technology, American knowhow, and often at extremely low wages.

These are some of the problems that we are faced with.

Mr. WATTS. I agree with you. The thing we have to do is to encourage these companies to stay at home, if we possibly can, in some way, and make it attractive enough so that some other company in a foreign country can't come in here and take the market away from them.

That is one shift in our trade policy that I think we ought to give more attention to, to see to it that some foreign country can't take advantage of a real cheap labor market and pile their stuff in here, at little or no duty and little or no trouble and cause Zenith, or whoever it might be, to lose the market. There is a lot of that going on, isn't there?

Mr. GOLDFINGER. Yes, sir.

Mr. WATTS. I am assuming that some of these companies, American companies, that go abroad do so in order to take advantage of this cheap labor market, in order to meet the competition of some foreign company who is taking advantage of the cheap labor market and pile their goods in here and shut our domestic producer out of the market.

There is some idea of defense in it, I am sure, and profit, too, of course.

That is all.

Mr. BYRNES. Would you yield?

Mr. WATTS. Yes.

Mr. BYRNES. The point I was trying to make is that it is not just a matter of importing into this market, but of taking third-country markets away and giving them to other countries, instead of capitalizing on our own ingenuity, capital, et cetera.

Mr. WATTS. I believe the gentleman would agree with me that somebody is going to take advantage of this cheap labor market. If it isn't our companies it will be some foreign companies. The fact that we prohibit our companies from doing it will not prevent the influx of cheap goods flowing into this country.

The CHAIRMAN. Mr. Conable will inquire.

Mr. CONABLE. Thank you, Mr. Chairman.

I notice in your statement that you reject pretty much out of hand the idea that there is any discipline of consumer prices in this country by cheap foreign imports.

I suspect that is an overstatement, is it not? There is some impact of foreign competition or we wouldn't have our people trying to take advantage of the foreign labor markets.

Would you agree with me on that?

Mr. GOLDFINGER. In small part, sir. But the reason for those companies taking advantage of the foreign subsidiary operations is to widen the profit margin and not necessarily to reduce the price.

Let us take some examples. By February 1969, the Consumer Price Index was 32.5 percent above the 1957–1959 base. Let us take the example of shoes, where shoe imports skyrocketed during the decade of the 1960's. Despite this very large increase of shoe imports, particularly ladies shoes, the shoe component of the Consumer Price Index was up 45 percent, considerably more than the overall rise in the Consumer Price Index, and ladies shoes, which were a particular factor in shoe imports, were up 51.6 percent.

There are no quotas in shoes and shoe imports rose at a very sharp rate. What we are saying is that the rise of imports does not necessarily have a beneficial impact on the price level.

Let me give you another example.

Mr. CONABLE. Could I interrupt at that point?

Mr. GOLDFINGER. Surely.

Mr. CONABLE. Is it your feeling that retailers in this country are inclined to want to deal in foreign goods because of this increased margin for them?

Mr. GOLDFINGER. I didn't say it was simply the retailer. I think it is also the importer, and the importer is frequently the multinational corporation, itself, which is bringing the goods in from its foreign subsidiary operations.

Here is another example. This is a statement from a spokesman for Admiral, a U.S.-based multinational corporation, and this appeared in the Electronic News on March 2, 1970.

He said,

> Although assembly of complete color sets in Taiwan won't affect pricing stateside, it should improve the company's profit structure. Otherwise, we wouldn't be making the move. We would leave the sets where they are now.

This is an example of the realities, rather than an economic theory of imports bringing down the price level in the United States.

Mr. CONABLE. You say that most of the labor-intensive goods that are being imported are not the type that would affect purchases by low- and middle-income people. However, isn't it true that, for instance, the high-cost clothing that is made in this country is not very much affected by imports while the knitwear, the stuff that is picked up in bargain basements by the ordinary shopper is the sort of thing that is coming in in large quantity?

Mr. GOLDFINGER. It is my impression, sir, that it is both the high-priced and low-priced stuff. It is in various product-lines. Some of the shoe imports are high-priced shoes. Some of the clothing is not.

You can see the ads from Hong Kong, for example, of relatively high-priced clothing, too. So it is not only the low-priced goods.

Moreover, I would like to emphasize what the chairman said a little while ago; to an increasing degree we are now getting a tide of imports not only of simple products and of low-priced products, but of relatively sophisticated products as well.

Mr. CONABLE. Despite what you read from the Admiral spokesman, isn't it true that imported textile goods, for instance, are for the most part selling substantially below sales of comparable quality American goods, and, therefore, are having some effect on the price of the American goods?

Mr. Goldfinger. What we said was that the import does not necessarily reduce the price.

Mr. CONABLE. I understand that. That is a good point.

Mr. GOLDFINGER. There may be, to some small degree, a lower price. But inevitably the aim of the company, in our estimation, is to widen the profit margin, and the so-called price discipline in terms of the American market is very, very small, if any, depending on the product-line.

We have examples of very substantial increases in profit margins in terms of these imported goods. We have a list here which was given to us by a union member in a large electrical firm which brings in goods from Japan. Let me just give you a couple of examples:

Tuner amplifier. Price in Japan, $31.74; price landed in the United States, with transportation costs, $38.30; suggested retail price, $159.95.

Tape recorder. Price in Japan, $70.65; price landed in the United States, $90; suggested retail price, $219.95.

And it goes on like that, with huge price mark ups.

Mr. CONABLE. May I ask you, sir, what the mechanism is for establishing the policy of the great AFL–CIO Federation on matters of this sort? Do your unions, for instance, take individual positions and then work them out in an overall meeting, and do all your unions agree with the policy you have enunciated here, or is there some divergence of viewpoint? So some unions feel more concerned from a consumer viewpoint than from an employment viewpoint?

Is there any way of establishing what the position of the individual unions have been, or is it established entirely through representative meeting generally?

Mr. BIEMILLER. AFL–CIO policy is determined by our biennial conventions. In our October 1969 convention, the most recent, the subject that received most of the comment and debate on the floor of that body was the resolution on international trade which we have had inserted in the record here. Offhand I can't recall any issue that received as much attention as this question did at the 1969 convention, and there was absolutely no dissent on the resolution.

Mr. CONABLE. That answers my question. Thank you.

I have one last question. I notice your advocacy of some further restraint on the exporting of American capital. We, of course, have had some restraint on that for balance-of-payments reasons recently.

I am wondering if it might not be demonstrable that this restraint had had the tendency of creating multinational corporations over which we are going to have considerably less control than we might have had if we had not imposed the restraint in the first place because of the pressure it put on joint operations abroad and the need for financing on an equity basis where before there has simply been a transfer of funds within the corporate structure.

Mr. GOLDFINGER. I fail to see how the very mild, and now relaxed, forms of regulations on capital outflows have done that.

Mr. CONABLE. A lot of our companies have been doing their financing abroad, have they not, as a result of that?

Mr. GOLDFINGER. They have increased it, sir, yes. But the outflows continue.

In the year 1969, according to the Economic Report of the President of February 1970. Outflows of U. S. private direct investment were $4.1 billion, in 1969. That was higher than in any year in the decade of the 1960's.

Mr. CONABLE. So you don't feel that increasing the restriction on the outflow of American capital would not result in a loss? This is pretty much along the same line of questioning as Mr. Byrnes.

Mr. GOLDFINGER. We believe there should be restrictions on the outflows of American capital. The February 1970 report of the Department of Commerce says "virtually all nations do make use of capital controls, especially with regard to direct investment abroad," and we do not, sir.

We have practically no regulation, or very little regulation, on these direct outflows. Virtually every industrial nation in the world does have mechanisms for capital controls. This is one of the things that we are advocating.

Mr. CONABLE. We certainly have more restraint on it than we did before our balance-of-payments problems became so severe. We do have some limitations on outflow. I grant you there have been many exceptions granted by the Commerce Department.

That is all, Mr. Chairman; thank you.

Mr. WATTS (presiding). Mr. Burke.

Mr. BURKE. I wish to commend Mr. Biemiller and Mr. Goldfinger for their statements here today. I think they have zeroed in on some of the real problems. As far as this 807 provision is concerned, I think your recommendations are good.

I don't know why the committee is so much concerned about this. It is my opinion that we are swatting mosquitos on the front porch while we have tigers clawing at our back door.

I think the real problem here is stated on page 19, the establishment of fair labor standards throughout the world. We all know the history of labor and industry in this country. We know that up in the New England section over 100 years ago many industries were established. They brought in the cheap labor from Europe. After they were here a few years they were organized. When the wages were raised there, we found there was a flight of industry from New England down to some of our Southern States.

Nof that they are organized there, or are being organized there, we find there is a flight of industry to foreign countries. We even find that Japan is feeling the pinch of competition from Korea, Taiwan, and Hong Kong. In fact, I think our trade negotiators were more concerned with the Japanese problem than they were with the American problem. That can be seen by some of the things that were done by our trade negotiators when they raised the tariffs on some items.

Japan was getting competition from Taiwan, Hong Kong, and Korea.

Don't you agree with me that it is unconscienable for this great Government of ours to be giving tax breaks to investors who will send their money into some of these countries under the guise that they are trying to help the undeveloped countries when actually what they are doing, in reality, is indulging in real greed, in exploiting human beings?

As was brought out here by the Secretary of Commerce, Maurice Stans, the other day, in Korea a man in the textile industry gets about 13 cents an hour, a woman worker gets about seven cents an hour, but he failed to bring out that child labor there was getting about six cents an hour.

I think something has to be done here. Possibly we might have to write into our tariff laws some provision whereby the wage and hour conditions in some of these countries will have to be raised or an import duty will have to be levied in order to encourage these people to raise their working conditions.

As I said yesterday, I am not too much concerned about what is happening in Japan. I think they are giving us a lot of stiff competition, but their wage and hour conditions are improving there.

I think eventually, in 5 or 10 years, they will more than likely be up to good standards, as they are in this country.

But I am concerned where the investors in this country are investing their money in these very, very low-wage countries, and they are not improving the conditions of the workers there.

In fact, they are allowing the conditions to continue. As I pointed out, life in those countries is about 30 or 35 years of age.

It is unconscienable, in my opinion, for this Government of ours to be pointing out that they are trying to help the undeveloped countries when actually they are contributing to undeveloped bodies of these human beings who are suffering from tuberculosis, malnutrition, and every other disease that goes with conditions that existed in this country 50 or 60 or 70 years ago.

We recall the mills up in Lawrence, Lowell, and Haverhill, in Massachusetts, where they used to work 6½ days a week. A man was never home or a woman was never home during daylight hours. We got away from those conditions. We established fair labor practices throughout this country.

But now we find some people in here and they are talking about protectionism. Who are they protecting? Where is the protectionism?

The protectionism is for these people who are greedy, who have no concern for human welfare, human beings, and who are only concerned with the almighty dollar.

That is what we are faced with here. I think our Government, as leader in the world trade, in trying to establish a better trade balance, should be able to prevail upon these countries.

We have been trying, but we haven't been too successful.

You say possibly we should have more discussions with them. Well, we have discussed it with them until we are blue in the face. There is no doubt that greedy people are always going to seek the market where they can make the most money. I can't see how we can continue to do this in good conscience.

I appreciate your recommending the orderly marketing bill. I think that will be good.

In this discussion of 807, we are discussing $25 million or $26 million in taxes, but the imbalance in the shoe industry is about $800 million a year.

The imbalance in textiles is about $800 million a year.

The imbalance in automobiles and automobile parts is up around $2 billion a year.

Our trade balance is dropping at a rate of $1 billion a year.

I would like to ask you this: If this continued drop in balance continues through 1975, what effect do you think it will have on our economy if this trend continues and we have an imbalance of trade in 1975 of $5 billion, which is possible under the growing rate?

Mr. GOLDFINGER. I think you have put your finger on a whole series of serious problems. These are the problems we have been trying to point to. The kind of thing you pose by 1975 could mean disaster for hundreds of thousand of American workers, for communities, and with obvious impacts on the entire national economy.

We can't successfully operate the American national economy by undercutting the consumer markets on which this economy is based. This economy is based on consumer markets and on rising living standards, which are now being undercut and threatened by the kinds of things you were talking about.

Mr. BURKE. On June 30, 1970, a debt limit bill of $377 billion will have expired and we will have to return to the former debt limit.

How much do you believe we will have to raise the debt limit of this country in order to keep these trade practices, to continue these trade practices, that are now in existence?

How much do you think we will have to raise our debt limit by 1975 if we have an imbalance at the rate of dropping $1 billion a year?

Mr. GOLDFINGER. I don't know how much it would take, but it would increase, sir, because the number of unemployed people would increase. The number of people on welfare would increase. There would be all kinds of difficulties in various communities that would have to be taken care of by the Federal Government. There would be outcries for assistance.

I think your point is right, that the kind of situation, the trend that we are in, now poses very serious problems for the Government of the United States and for America as a Nation.

Mr. BURKE. I would also like to comment on your statements about the blacks in this country. It is interesting to note that in Harlem and Brooklyn in New York City, this is the largest center in world in the United States for the employment of textile and shoe workers. I believe there are over 60,000 or 70,000 people employed there.

When these firms continue to close up there, I was wondering where we will find jobs in the ghettos of New York or ghettos of some of our large cities for these people when they lose their jobs.

What can we train them for? What industry do you think will be open to them?

Mr. GOLDFINGER. This is a most serious problem. You are pointing to the fact that U.S. Government policy, unfortunately at this point, is operating at cross purposes.

On the one hand there are manpower programs and Federal money is being spent to train unemployed people for jobs, on the other hand, U.S. Government policies are permitting and to some degree encouraging the export of American technology and the export of American jobs.

Mr. BURKE. I think you are right. I hope your appearance here today will serve as a notice to some other countries who have been taking advantage of our generosity that there is deep concern on the part of labor about the acceleration of imports, tending to destroy many of our industries. Possibly we can bring about a reasonable system of trade.

I voted for the trade bill in 1962. The shoe workers supported it, and I believe the textile people did. I believe labor did. We all accepted the glowing promises at that time. Unfortunately, we find negotiators in our country don't seem to be able to negotiate. They seem to be able to give everything away, but they can't get something back in return.

I would hope that this committee can bring out some meaningful legislation that might stiffen the backs of these negotiators so they don't give the capital away.

That is all.

Mr. BIEMILLER. Mr. Congressman, may I make one brief comment there? You are quite right, we did support the 1962 bill just as you did. But at the time we thought we saw signs of some intelligent moves in the international trade market.

One of the reasons that the textile workers supported that bill, for example, was that we had been able to negotiate an agreement in cotton textiles, a voluntary quota agreement worldwide. But that hasn't happened in any other area.

In textiles alone this is a very nasty problem today because of the man-made fibers that are now also being incorporated into cotton textiles and woolen textiles and not covered by the quota agreement.

In shoes we have certainly reached no agreement. We have had all kinds of very difficult problems, as I hardly have to tell you, but let me give you one example that you may or may not know.

The Weyenberg Shoe Co., which operates in many parts of the United States, about 2 or 2½ years ago, announced it was building a plant in Ireland but it was not going to sell any of the products in Ireland or on the continent. They were going to bring all of the products made in that plant back to this country.

We strongly feel that the approach that you have in your orderly marketing bill is needed to stimulate the possibility of voluntary agreements, and if they are not consummated, then to put into effect some real quota controls on imports into this country.

We commend you for the basic approach you have taken.

Mr. BURKE. I am glad you mentioned Ireland because our Government has put through a law on tourism. I believe they had about $13 million of business in Ireland in tourism. We just took most of that away from them by cutting down the amount that a tourist could buy in Ireland and bring back to this country.

We reduced it from $500 to $100. We more than likely knocked Ireland on their back. Ireland today could stand a few of these companies going over there and giving them a little bit of help. At least in Ireland they do raise the wages and they have a tendency towards organizing and fighting for their rights. Ireland is not listed by our Government as being underdeveloped. Our Government has raised strong barriers against Irish immigration.

Thank you.

Mr. WATTS. Mr. Pettis?

Mr. PETTIS. I have no questions, Mr. Chairman.

Mr. WATTS. Mrs. Griffiths?

Mrs. GRIFFITHS. No questions, Mr. Chairman.

Mr. WATTS. Mr. Fulton?

Mr. FULTON. I would like to join with the others in commending you for your statement, Mr. Biemiller, and you, Mr. Goldfinger, for your responses to questions.

On page 13 of your statement you say U.S. Government measures are required to stop helping and subsidizing U.S. companies in setting up and operating foreign subsidiaries; to repeal section 807 and similar provisions of the Tariff Code, and to repeal the tax provision which permits the deferral of U.S. taxes on the income of U.S. companies on the income from their foreign subsidiaries.

I think it would be good for the record, Mr. Biemiller, if you would give us the benefit of your organization's comments and views on the effect of the Treasury Department's new DISC proposal which would allow deferment of taxes by U.S. corporations.

Mr. GOLDFINGER. We think, sir, that adoption of the Treasury Department recommendation would be a disaster. In fact, it is the reverse of what is needed. The situation at present is that U.S. taxes on foreign subsidiary operations of U.S. companies are deferred until the dividends are brought back to the United States.

The deferral may continue forever in some circumstances. But in any case, there is that deferral. Instead of moving to remove this deferral, the Treasury Department does the reverse and says that they advocate the creation of a vast new tax loophole to permit the tax deferral for U.S. companies in export trade. We think it is the exact reverse of what is needed.

Secondly, we see no evidence on the basis of the Treasury Department's proposal, that this kind of operation would be anything more than a windfall to the companies which are already engaged in export trade.

They would be given a tax deferral not for increasing their exports but for all of their export trade, which seems to us to be simply a windfall to the companies, including multinationals, and the creation of a new tax loophole with bad effects on the income distribution of the country.

For a whole series of reasons we think that the Treasury Department's proposal is wrong. We would urge the Congress, if and when the administration presents such a proposal in the form of a bill, to defeat that bill.

(The position of the AFL–CIO on DISC appears in pt. 9, p. 2604.)

Mr. FULTON. Thank you. That is all.

Mr. WATTS. We want to thank you again for your appearance.

The committee will stand in recess until 2 o'clock.

(Whereupon, at 12:05 p.m. the committee recessed, to reconvene at 2 p.m. the same day.)

AFTER RECESS

(The committee reconvened at 2 p.m., Hon. John C. Watts presiding.)

Mr. WATTS. The committee will please come to order.

The next witness is Mr. Walter S. Surrey, on behalf of the Chamber of Commerce of the United States.

STATEMENT OF WALTER STERLING SURREY, MEMBER, INTERNATIONAL COMMITTEE OF THE CHAMBER OF COMMERCE OF THE UNITED STATES; ACCOMPANIED BY MRS. KAY VEST, MANAGER, INTERNATIONAL GROUP; JOHN E. FIELD AND F. TAYLOR OSTRANDER, JR.

Mr. SURREY. Mr. Chairman, I am Walter Sterling Surrey, a partner of Surrey, Karasik, Greene & Hill, a Washington law firm. I am a member of the International Committee of the Chamber of Commerce of the United States and I am testifying today for the chamber in support, with qualifications, of H.R. 14870.

With me, to assist me and to be sure I stay within the confines of chamber policy, are Mrs. Kay Vest, manager of the international group; Mr. F. Taylor Ostrander, Jr., assistant to the chairman, American Metal Climax Corp.; and Mr. John E. Field, director of business planning, Fairchild Camera & Instrument Co., who is particularly qualified to discuss tariff sections 630 and 870.

Mr. WATTS. We are delighted to have all of you present.

You may proceed.

Mr. SURREY. The national chamber is composed of some 3,800 organization members, including over 1,100 trade and professional associations and more than 37,000 business members, together constituting an underlying membership of more than 5 million individuals and firms. Within the national chamber's broad-based membership are hundreds of firms ranging from the smallest companies to the multinationals—was borne out this morning so far as multinationals are concerned—who have direct interests in international trade.

CHANGING REALITIES FOR UNITED STATES TRADE

The chamber has a long history of support for the reciprocal trade agreements program since its inception in 1934. It was with some regret this morning that I heard some differences from the AFL–CIO with respect to the current philosophy in this matter. More recently, in 1962, the chamber came before this committee in firm support of the Trade Expansion Act. The chamber's support for trade liberalization is firmly grounded in the contribution of trade to income and wealth. No one can seriously question the tremendous advances stemming from world trade expansion since the 1930's.

In the decade from 1958 to 1968, world trade grew at an average annual rate of 8.3 percent in value and 7.7 percent in volume. If world trade keeps growing to 1980 as fast as it did in the last 8 years, it could amount to over half a trillion dollars annually.

The United States, plagued for years with a persistent balance of payments deficit, has seen since 1964 a steady deterioration in its trade surplus, which before had helped to finance our heavy overseas military and economic commitments and growing tourism. In recent years, domestic inflation has sucked in imports, which are responsive to rises in income, faster than exports have grown. While domestic inflation has raised costs and hampered U.S. ability to compete in world markets, the successive budget deficits, reaching $25 billion in 1968, and excessive money creation from 1965 to 1969 weakened confidence in the dollar.

A vital part of any sound trade and investment policy is to gain control of domestic inflation. It has been the move to curb inflation beginning last year which has helped to keep confidence in the dollar high despite our persistent deficit and dwindling trade surplus. Without that confidence, the moves last year which saw the French franc devalued, the German mark revalued, and the Special Drawing Rights under IMF agreement concluded probably could not have succeeded.

TRADE POLICY AT THE CROSSROADS

We are at a crossroads in U.S. trade policy. I believe that was borne out in the testimony this morning. Since the final negotiations of the Kennedy round, and more recently, the expiration of the negotiating authority of the Trade Expansion Action of 1962 in July of 1967, the spirit of trade liberalization has noticeably ebbed. This drift away from the principles of expanding trade has serious implications both for the United States and world economies. In a climate of growing economic nationalism on both sides of the Atlantic, as well as in the developing world, a reaffirmation of a trade expanionist policy on the part of all countries seems imperative.

The United States, in its world role of leadership, has special responsibilities to set the climate of both opportunity and equity in world trade arrangements. While, typically, the major initiatives in commercial policy have stemmed from the United States, it is clear that other major trading nations unfortunately have not always followed the United States lead toward freer trade. They have not always granted to U.S. goods the same equitable access to their markets as we have given their goods here.

To the detriment of U.S. products, in many cases they have used subtle nontariff barriers to obviate the trade stimulating effects of tariff reductions, while simultaneously making larger market penetrations in the United States for their goods.

It is true it is time for U.S. trade policy to recognize some changing perspectives which have occurred since 1962. The rules of the game to some extent have changed. We are now trading in a world where regional free trade areas and customs unions as units are coming into direct competition with American businessmen throughout the world in nearly every field.

I would like to point out what this means to us and to this committee. Apart from the trade adjustment problems created by domestic inflation, we are at the crossroads because we have in a large measure succeeded in reducing tariffs.

We find ourselves today more starkly confronted with the restrictive effects of nontariff barriers, including quotas.

It is clear that our national policy must call for the reduction and ultimate elimination of these nontariff barriers. But just as we learned during the many years of coping with the need to reduce tariffs as being in our national interest, and just as we learned that the escalation of tariffs served only to impede world trade and our own national growth, so we must recognize that escalation of nontariff barriers will not benefit our national interests nor the interests of our trading partners.

As in the past, the United States must exercise leadership in meeting the nontariff barrier problem. The chamber believes that it is time that we think and act tough on these issues.

But thinking and acting tough does not mean escalation and a new type of trade war, that of the nontariff barrier.

As we will develop more fully in the testimony that follows, the role of a leader requires constructive action. Thus, it is time for U.S. trade policy to recognize some changing perspectives.

It is in this context, Mr. Chairman, that we are aware of the difficulty and important task confronting your committee. In the light of our urgent trade problems, wise responses are needed soon.

We must weigh our decisions carefully in the context of our overall economic policy both domestic and foreign, recognizing the potential worldwide impact of shifts in our trade policy. We must not act precipitously.

THE PROBLEM DEFINED

Our problem is to construct a viable, responsible trade policy which will provide the basis for expanding world trade, investment and opportunity in the post-Vietnam era, with fair rules of the game impartially set and followed. Above all, we wish to avoid triggering a disastrous trade war through setting a climate of restriction and narrow self-interest.

The national chamber remains positive in its belief that trade expansion is essential for continued growth of the economy, but we recognize that trade policy alone cannot do the job.

THREE-PRONGED ATTACK

What is needed is a creative initiative on three fronts, including (1) coordinated Government effort to control inflation domestically through responsible taxation, appropriate fiscal and monetary policy, and balanced investment, output and trade; (2) expansion of exports by unilateral Government action to provide more competitive export financing for U.S. exporters; and, (3) vigorous and forthright trade policy negotiations to gain equitable access to overseas markets for U.S. goods.

Consistent with its own proposal for this three-part attack (which we will mention later) and its past positions, the chamber strongly supports the principles and objectives embodied in H.R. 14870 as the most realistic and consistent direction for U.S. trade policy at the present.

CHAMBER SUPPORT WITH QUALIFICATIONS FOR H.R. 14870

Specifically, the chamber supports provisions of H.R. 14870 as follows: (a) granting authority for the President to make limited tariff reductions; (b) strengthening the President's authority to retaliate against other countries which impose undue restrictions against U.S. exports; (c) changing the trade adjustment assistance provisions of law for the assistance of firms and workers seriously injured by increased imports and; (d) changing the escape clause criteria from "major cause" to "primary cause."

I might point out at the time the chamber considered its statement, which was cleared by the International Committee and the chamber board, the language of Chairman Mills' amendment, i.e., "substantial", was not before it.

While supporting such changes in the criteria for establishing import injury for industries and firms, the Chamber cautions against use of relief devices to unduly prolong the adjustment process or encourage inefficient industries with resultant uneconomic production. Accordingly, we oppose the proposed removal of the causal link of import injury to prior tariff concessions. Such a change in the law could open a Pandora's box for misuse of the escape clause for trade restrictive purposes. Such misuse, furthermore, could result in changing the structure of the U.S. economy by making it less competitive. Finally, misuse of the escape clause could provoke retaliation which would reduce income and stultify adjustments to new technology both here and abroad.

THE GROWING PROBLEM OF IMPORT COMPETITION

A number of industries in the United States are encountering increased difficulties with import competition. It should be remembered, however, that many economic factors, including capital intensity, rate of technological change, inflation, rising costs, changing style and taste, and general business conditions contribute to business problems. It is not only difficult but somewhat misleading to separate out imports as a sole cause for industry dislocations, unemployment, or a downturn in corporate earnings.

ARGUMENTS ON IMPORT RESTRICTIONS

Proponents of import restrictions have been making several main arguments before this committee as follows: (1) During the trade negotiations of the 1960's, the United States gave away more concessions on tariff reductions than it received; (2) imports, while important, should not be allowed to dislocate American industries and cause unemployment; (3) in cases where legislative barriers might have adverse political repercussions with major trading partners, the United States should urge the adoption of "voluntary quotas" in order to restrain imports and give U.S. industries under competitive fire a chance to "take a breather."

The national chamber strongly urges that the committee judiciously weigh the strength of these arguments and the consequences of restrictive solutions.

First, we do not believe that U.S. negotiators were outsmarted in the trade talks.

The increased import penetration in this country and relative decline of U.S. exports is due principally to four factors: (1) Domestic inflation, (2) exchange devaluation relative to the dollar, (3) nontariff barriers of other countries to circumvent the impact of tariff reductions in creating trade, and (4) just plain tougher competition, based not on significant differential in labor cost, but differentials resultive from widened technology.

Far from being out-negotiated in tariff concessions, the United States gained many valuable concessions during the 1960's on a reciprocal basis—but our accelerating inflation since 1965 has prevented us from benefitting as much as other trading nations.

Inflation and a declining American competitive advantage in productivity-wage ratios have been much more important in increasing imports than any weaknesses of the United States at the negotiating table. The import-inducing impact of domestic inflation has been documented over and over again in the experience of countries in the post-World War II period.

Second, since the end of the Kennedy round, a number of nations have made currency adjustments, many of which have had the effect of making their goods cheaper here and our goods more expensive there—to the obvious detriment of our trade balance. Yet, such adjustments have been necessary, in the absence of more automatic flexibility in exchange rates, to restore imbalances which otherwise would threaten the climate for our expanded trade.

NON-TARIFF BARRIERS AND AMERICAN SELLING PRICE

Finally, it is equally clear that U.S. goods are not enjoying equitable access to foreign markets that we afford other nations' goods here. The national chamber firmly believes in the ability of U.S. industry to compete vigorously in world markets if the rules of trading give equal and widening access to markets.

To the degree that nontariff barriers, in the form of quotas, "buy national" acts, State procurements, arbitrary customs valuation procedures, and others are impeding U.S. goods unfairly, the national chamber urges that the President be given the authority to enter negotiations on a quid pro quo basis. In this day of rapid change, the President needs additional flexibility to conduct an effective trade policy—both to negotiate and retaliate.

With specific regard to nontariff barriers, the chamber supports the repeal of the American selling price system of customs valuation, but with certain stipulations. Recognizing the anomaly of this system of valuation in our tariff structure, we urge Congress to develop a substitute approach of a truly equitable nature involving (*a*) conversion to the regular tariff system or (*b*) renegotiation of concessions meaningful to the affected industries, or a combination of the two.

The removal of ASP which has been a cause celebre in the EED symbolizing American protection could pave the way to European concessions on U.S. agricultural exports as well as chemicals and automobiles. Its repeal could go a long way toward reducing trade tensions with the Common Market and opening up talks on other nontariff barriers.

While the national chamber supports a firmer trade policy, we reject quotas as unsound economic devices. Not only do quotas inject government deeply into the market system and cause great price distortions by raising costs to consumers, they almost always provoke retaliation. Such retaliation penalizes our most efficient industries, totally unrelated to the original quota-protected industry. Admittedly, the loss of even one job to import penetration or any other cause can be a personal tragedy.

But does it make sense to jeopardize nearly 4 million American jobs (export and import) by legislative restrictions which will almost surely provoke retaliation, and which can only lead to escalation on both sides?

Additional drawbacks of quotas include: Loss of tariff revenues to Government; inherent discrimination among companies vying for limited market space under a quota ceiling; and the tendency of quotas to become permanent, undermining the "competitive edge" of protected industries at great cost to the consumer.

This committee should weigh most cautiously the risks of precipitating a trade war by imposing quotas. Given the present state of economic instability, a drop in export earnings with a corresponding inflationary push would be totally unacceptable. Let us not forget that the United States, still the world's largest trading Nation with over $37 billion in exports last year, has much to lose. The policy of economic brinkmanship with quotas has proven its bankruptcy throughout recent economic history.

Disregarded trade policies allowed to decay in the basement of national priorities are likely oily rags—and just as combustible. In the United States, both Vietnam and domestic social problems have shrouded the trade issue. Today, we must face our trade options squarely and forcefully if we are to remain a strong trading Nation.

In place of negative quotas, which represent a withdrawal from competition, the national chamber recommends a more creative, energetic approach by Government aimed at U.S. exporters. As mentioned above, the administration's trade bill is a needed move in this direction. H.R. 14870 provides an improved mechanism for a stronger trade posture.

It has additional flexibility in both escape clause and adjustment assistance which could (1) afford industries under import pressure temporary relief and (2) facilitate the shift of workers and companies injured by imports into areas of production where greater U.S. advantage exists. The possibility might be studied of using revenues gained from escape clause tariffs to fund manpower development programs under adjustment assistance.

More importantly, the chamber supports the extension of authority to the President to restrict imports from countries discriminating against the United States. As the President stated in his foreign trade message to Congress of November 18, 1969, while we welcome competition in foreign trade, we must insist on fair competition among all countries.

Thus, where the President is unable by negotiation to cause other countries to redress such practices promptly, firmly, and effectively, this provision gives the trade bill a new bite and emphasizes a tougher U.S. trade stance far more flexible and reasonable than quota imposition.

In conjunction with trade policy, the chamber strongly recommends new Government efforts toward encouragement of export expansion as a positive response to our present economic situation.

Along these lines, the chamber has recommended improvements in the export financing for U.S. traders through a removal of restraints on the EX-IM Bank and the commercial banks plus new programs responsive to exporters' needs. Similarly, we are studying recent administration proposals for equating tax treatment to domestic export sales and foreign direct investors.

The chamber is studying the DISC proposal of the administration. The Committee on Taxation will be meeting on this proposal later this week, and the Board will be meeting on the proposal in June. We believe it desirable that the Department of Commerce and the Treasury Department seek the advice of industry and labor. We ask for the opportunity to study this matter and be in a position to give such advice.

Our Government should move more promptly to provide exporters better tools to regain a semblance of parity with the strong financial support which our major competitors afford their international businessmen.

ITEMS 806.30 AND 807.00 OF THE TARIFF SCHEDULES

In order to maintain the competitive posture of U.S. business which assembles goods abroad, the national chamber opposes H.R. 14188 and recommends retention of ittems 806.30—and this morning the AFL-CIO recommended against retention—and 807.00 of the U.S. Tariff Schedules. These provisions reflect the realities of today's world economy. They are essential if the United States is to keep abreast of the intense and growing competition at home and abroad.

American industry must have access to all possible means of producing the right products at the right prices. By permitting a sequential production process whereby parts are manufactured in the United States and sent abroad for assembly or for further processing, items 806.30 and 807.00 allow American industry to reduce the cost, and therefore the price, of its products; to expand its markets, and to expand employment opportunities and job skills in the United States.

In addition, lower prices to the U.S. consumer help fight inflation and, most important, it allows American products to remain competitive with those of other nations. This, in turn, benefits the U.S. balance of trade and balance of payments. Therefore, the sequential production operations permitted by items 806.30 and 807.00 benefit American business, American labor, and the American consumer.

If the provisions were repealed, American companies now utilizing 806.30 and 807.00 would be faced with three main economic options: (1) to transfer manufacturing operations, as well as assembly, abroad, (2) to maintain the production and assembly arrangements set up under 806.30 and 807.00 but to suffer, through the higher costs involved, a competitive setback in the markets concerned; and, (3) to terminate U.S. production and overseas assembly of parts altogether. Adoption of any of these alternatives would reduce domestic employment, increase prices to the U.S. consumer and thereby add to the current inflation, and render U.S. products less competitive with those of other nations.

The result would be further deterioration in our balance of payments. Evidence to this effect has been presented during the current U.S. Tariff Commission public hearings on this subject. We should await the results of their study. It would seem premature to take legislative action to repeal these sections.

Mr. Field is here to answer further questions on this point.

Before concluding, I would like to add a point on the multinational corporations. From this morning's discussions, one would gather only that the multinational corporation exists only as a U.S. corporation in a less developed foreign country taking advantage of low-labor costs to produce goods cheaply to be brought back into the United States.

While this commitee is deliberating the problems of the multinational corporation here, comparable committees are meeting in France and Western Europe and worrying about the U.S. multinational corporation domination in Western Europe.

I think it must be borne in mind when we consider the U.S. multinational corporation, that is a U.S. parent organization which has subsidiaries abroad, that essentially the major part of the investment has been in the developed world and not the less-developed.

The reasons that corporations go abroad are many-fold. First, in the extractive industry they go where the raw materials are. There is no choice.

Second, where companies have been exporting and finding a good market, they frequently find it essential to maintain competitive conditions in that market to establish a corporation there in order to have the source of production close to the source of comsumption.

Frequently, they go abroad to service a producer to whom they supply goods. To the extent that they go to the less-developed country, I think we should bear in mind that the U.S. corporation in the less-developed country has generally acted as a catalyst to increase wages and other benefits for labor.

Rather than being a restrictive force on the labor market in the less-developed country, it has been a productive force to increasing the rewards of labor in those countries.

If you take away, in some cases, the U.S. corporation in the less-developed country, you may be causing complete havoc.

Finally, we should turn our attention to the real enemy, both to our domestic and foreign economic policy—inflation. It is regrettable that the American economic growth in the past, which provided a near full employment and enabled us to afford inreased import luxuries, was accompanied by governmental policies which led to a serious inflation, weakening our trade surplus.

However, the problem is crucial and immediate. Unless we achieve reasonable price stability, our trade balance will worsen, adding more pressure to the dollar. In earlier years, the favorable trade surplus served as a cornerstone for the balance of payments by registering a large plus on the account. With the near disappearance of this surplus, military commitments, foreign aid, tourist expenditures abroad and other outflows on the account have assumed grave proportions as they are no longer properly counterbalanced.

Though trade policy in itself cannot end inflation, it is one tool to be used in coordination with well-timed monetary and fiscal policy in the battle to stabilize the economy. As such, H.R. 14870 takes on tremendous importance when viewed in the broad perspective. In principle, it welcomes competition as needed to hold down inflation and spur competitiveness.

In summation, if we as a nation are to respond adequately and responsibly to the many challenges of American foreign economic policy, we must make the right choice at this crossroad. We must regard the overriding national interest apart from the conflicting views of specific producers seeking relief from imports and the harried consumer seeking lower prices. To cripple this legislation with trade restrictive devices would not only seriously impair U.S. commercial policy; it would be counter to the national interest.

Foreign trade is a part—a vital part—of the entire economic picture in the United States. What is needed to regain a strong trade surplus and balance of payments position is a coordinated, energetic national effort.

The national chamber urges your support of the basic principles of H.R. 14870 as an integral step in that direction. (For the Chamber of Commerce of the United States supplemental statement on DISC, see pt. 9, p. 2602.)

Mr. WATTS. Thank you.

Mr. Betts?

Mr. BETTS. Mr. Surrey, just a little clarification.

On page four at the top, are you saying that you think tariff concessions are the only causal link with import injury?

Mr. SURREY. We are saying that the causal relationship to the tariff concessions should be maintained.

Mr. BETTS. Are you saying it is the only thing?

Mr. SURREY. Pardon?

Mr. BETTS. Apparently, from the statement up above, you apparently are claiming that that should be the only test.

Mr. SURREY. No. We support the test that is made in there, the primary cause, and I assume we would have no objection to Mr. Mills' recommendation of substantial cause.

Mr. BETTS. What are you saying about why you support such changes for establishing import injury? You caution against relief devices to unduly prolong the adjustment process. Then you go into the statement that you oppose the proposed removal of the causal link of import injury to prior tariff concessions.

I just don't quite get the point there.

Mr. SURREY. At the present time, the legislation requires that for escape clause relief there be a link between a prior tariff concession and the injury that is done to the U. S. domestic injury.

The legislation submitted by the administration proposes the removal of that link. We do not support the removal of that link.

Mr. BETTS. Give an example of a removal of the link.

Mr. SURREY. Removal of the link would be where a domestic industry has been injured, there have been increased imports, but there is no showing that these increased imports have resulted from a decreased tariff concession.

We say that you would have to show three steps: Increased imports, the increased imports resulting from a lowering of the tariffs in the previous negotiation, and a resulting injury to the U.S. producer.

Mr. BETTS. And just tell me how the administration bill handles that.

Mr. SURREY. The administration proposal would show increased imports being a major cause of an injury to the domestic industry without having to show that these imports, increased imports, resulted from a lowering of tariffs as negotiated in the previous trade negotiation.

Mr. BETTS. Do you mean major cause or primary cause?

Mr. SURREY. Changing it to primary under the administration language.

Mr. BETTS. Or substantial in the case of injury to employees?

Mr. SURREY. Right. We would still require, however, that there be a relationship, whether it be primary or substantial, to the increased imports resulting from a decrease in tariffs.

Mr. BETTS. What I am getting at is this: Are you claiming that that should be the sole test?

Mr. SURREY. No. The tests are injury, increased imports, and that the increased imports have resulted from a lowering of tariffs.

Mr. BETTS. Thank you.

Mr. WATTS. Mr. Conable.

Mr. CONABLE. Thank you, Mr. Chairman.

Mr. Surrey, you heard some of the testimony this morning about the export of American jobs. I am wondering about this. How about these electronics components plants in Southeast Asia? There are a lot of semiconductor plants, for instance, in Taiwan and places like that.

Why don't they perform this work in the United States? Does it result in the export of American jobs to have our multinational corporations establishing these plants there?

Mr. SURREY. Could I ask Mr. Field, director of business planning at Fairchild Camera, directly involved in that industry, to answer the question?

Mr. FIELD. I have studied this question very deeply since the President requested the Tariff Commission to undertake an investigation of 806 and 807.

Our conclusion is that these items in fact increase domestic employment. They, in fact, increase the balance of trade surplus in many industries, and they help many American industries maintain and increase their technological lead in world markets.

In other areas, they allow American industries to remain competitive.

Mr. CONABLE. Would you expand on that? It is difficult to believe that it actually would result in an increase in American jobs, and yet, that is your conclusion.

Mr. FIELD. Yes, it is my conclusion. Allow me to explain it.

The semiconductor industry manufactures all its parts in the United States. It then sends these manufactured parts which are manufactured with American labor to offshore facilities for assembly.

This sequential production operation has permitted these companies to increase their employment. The numbers bear this out.

In the semiconductor industry, there were 40,000 American jobs in the United States in 1963. By 1969, there were 140,000 American jobs in the United States.

Why?

The production process is composed of manufacturing and assembly operations. Manufacturing is a highly skilled capital intensive operation and it is all performed in the United States. Assembly is low-skilled and labor-intensive.

By performing the assembly operation abroad, the semiconductor industry has been able to reduce total production costs and reduce the price of semiconductor devices. Prices of semiconductor devices have dropped an average of about 30 percent per year.

As the average selling price of semiconductors has dropped, unit volume of semiconductors has soared. For instance, in 1963, the average selling price of a semiconductor device was 79 cents. By 1969, the average selling price had dropped to 37 cents. During the same period, the number of units manufactured increased from 760 million in 1962 to 3.5 billion in 1969.

As this unit volume has increased, domestic employment has increased with it because, as I said, all the parts are manufactured in the United States.

Gentlemen, I would like to give you a case history of a company that has a number of offshore assembly facilities.

Fairchild semiconductor opened its first offshore facility in 1964. This facility reached full production shortly before the severe credit restraints of 1966. As a result of opening this facility, domestic employment, Fairchild semiconductor's domestic employment, increased by 7.6 percent in 1964, by 40.6 percent in 1965, and a further 46.4 percent in 1966.

Similarly, after Fairchild opened its Korean and Mexican assembly facilities in 1967, Fairchild's domestic employment increased a further 23.6 percent.

Mr. CONABLE. Mr. Field, I wonder if you aren't guilty of a degree of post hoc reasoning here. You are saying that because these offshore facilities were established we have had a very substantial increase in the number of jobs.

Isn't it true that we probably would have had a substantial increase in the number of jobs under any circumstances because of the increased use of semiconductors in the types of electronic equipment we are talking about?

Mr. FIELD. No, sir; I do not believe that is correct.

Mr. CONABLE. In other words, you think there is a connection between the reductions in cost that could come from this and the increased demand quite apart from the soaring demand, itself?

Mr. FIELD. Yes, sir. I believe that the substantial increase in volume is a function of the reduction in the average selling price of semiconductors.

I can show you that the average selling price dropped before volume started to go up. The volume increase did not occur until after the selling price dropped. That was after domestic manufacturers started performing the assembly operation abroad.

Mr. CONABLE. Is the same phenomenon demonstrable with respect to other types of products? Probably to a greater or lesser degree, would that be an accurate statement?

Mr. FIELD. Yes, sir; that is an accurate statement in regard to products that tend to be price elastic.

Mr. CONABLE. In the statement we have just received, sir—I dare say, I shall return to Mr. Surrey—you mention the fact that nontariff barriers have assumed a greater importance as a result of the reduction of tariff barriers.

Have we performed the preconditions in this country necessary to any mutual negotiation of nontariff barriers? Have we identified the nontariff barriers accurately? They are pretty much as broad as the field of Government regulation, actually.

What kind of nontariff barriers are we talking about affecting the sale of American industrial production in Europe?

Mr. SURREY. There is a whole complex of them. We have mentioned quotas.

Mr. CONABLE. You mentioned what?

Mr. SURREY. We have mentioned quotas. We also have the question of meeting certain standardes, for example, standards on the automobile which is part of the negotiations considered in the American selling price with the United Kingdom. This is the case where a country will put in certain types of limiting standards, and the European community has now reached an agreement on the types of standards that it will introduce, which can have the effect of preventing U.S. goods entering into the Western European community, without there being any basic, rational reason behind it other than acting as a nontariff barrier.

So when you go through the entire complex of problems of just plain importing, import duties, problems in customs, customs identification, customs classification—all of these characteristics, all of these actions, can afford problems to U.S. entry into the European community and other communities of advanced nations.

It is in this area that I think we have to negotiate, and negotiate hard. We have to recognize at the same time that we have comparable problems on our side of the fence. We have State laws and we have certain national laws which create nontariff barriers and these have to be negotiated out.

Mr. CONABLE. Certainly, one of the preconditions for any negotiations would be some sort of a mutual position from which negotiation is possible.

If we didn't impose nontariff barriers ourselves we couldn't negotiate a mutual withdrawal, could we?

Mr. SURREY. There is no question about it.

Mr. CONABLE. Sir, I would like to ask you another thing: You mentioned that there is a historical basis for believing that every time quotas have been imposed, they have resulted in retaliation.

Could I have some examples of that? Or would you like to supply some for the record?

Mr. OSTRANDER. I think the record of the thirties was replete with this kind of thing.

Mr. CONABLE. Were there substantial quotas in the thirties?

Mr. OSTRANDER. Yes, sir; and whole areas of quotas introduced by Germany, for example.

Mr. CONABLE. Did this begin with our tariff reductions in 1932?

Mr. OSTRANDER. I think the Smoot-Hawley tariff was 1932 and the tariff reduction program, the liberalization program, began in 1934.

Mr. CONABLE. Following 1934, as we reduced tariffs, did nontariff barriers tend to go up?

Mr. OSTRANDER. I am not sure that one could prove a seesaw relationship.

Mr. CONABLE. We seem to be more aware of nontariff barriers now that the tariffs have gone down some. I don't know that you could say necessarily nontariff barriers have been increasing. They certainly have been increasing relative to the importance of tariffs as a barrier to trade.

Mr. SURREY. I suppose in some sense they have been increasing to the extent that you have the tax value added system in the Western community where the tax is not passed on to the consumer but a rebate is given at the border to the exporter.

With these new tax devices there may well be an increase in nontariff barriers.

With the lowering of tariffs, I think there has been more consideration given to the imposition of nontariff barriers for protectionism.

For example, a year ago, there was recommended by the legal committee of the European community a law that would provide for incorporation not under a single state of the community but under the community, provided, however, that incorporation can only be achieved by a national of the community.

When you talk about multinational corporations, this would mean no U.S. corporation, if this were carried out, could incorporate in Western Europe.

So I think the ingenuity of protectionism, where tariffs go down, devotes itself to the creation of nontariff barriers.

Mr. Field, I believe, wants to add a statement.

Mr. FIELD. May I add something? You asked about nontariff barriers which are beginning to emerge in Europe, and you also asked about the relationship between tariff barriers and nontariff barriers.

I believe I can perhaps answer both of these questions together.

Now that the European Common Market has completed the elimination of internal tariff barriers among the member nations, it is in the process of eliminating the nontariff barriers.

These are often technical regulations, product standards, health and safety rules, and so forth.

In order to reduce these barriers, the Europeans are beginning a process of what they call in Europe a process of harmonization. This process aims at establishing the same standards and rules for all the Common Market countries.

As they establish these common product standards and rules, I believe that there is a danger that some American products will not qualify. I believe that these emerging nontariff barriers under the guise of harmonization in Europe pose a serious threat for American business and for American labor.

The first evidence of this problem is seen in the multipartite agreement for harmonization of requirements for electronic components which I am told the Europeans are just about to enact.

Ambassador Gilbert mentioned this before this committee last week.

If the Europeans were to enact this multipartite accord, it would affect U.S. exports by some $350 million, or in terms of jobs it would cost the United States 30,000 jobs.

Before coming into this room, I heard that the Europeans are now working on a second harmonization accord which would restrict the imports of electronic systems into Europe which do not contain components that have been certified under their first harmonization accord.

To give you some idea of what this means in terms of balance of trade, in the semiconductor industry the imports have increased from about, I think, $88 million, or the balance of trade surplus increased from, I think, $88 million in 1966, to $241 million in 1969.

Similarly, the computer industry enjoys a favorable balance of trade of some $750 million.

Mr. CONABLE. I take it, Mr. Field, that if you had your choice and there were no historical condition that we were dealing with here, you would prefer to see any efforts to restrict imports to this country be related to the tariff system rather than the quota system.

Mr. Surrey, in his statement, referred to the various disadvantages of quotas, and I think this is the first really comprehensive statement we have had on that.

Is that true?

Would you generally tend to favor the tariff increases, if that were possible—and granted is pretty much a dead issue—to a quota type?

Mr. FIELD. Yes, sir. I think that quotas are not desirable in any way at all. They offered article 11 of GATT. They, of course, tend to invite retaliation.

Mr. CONABLE. So do tariffs, don't they?

Mr. SURREY. You are asking if you want to be whipped by a lash or be beaten with nails, and I don't prefer either.

Mr. OSTRANDER. But quotas are more an anathema to a market economy than tariffs are.

Mr. CONABLE. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Betts.

Mr. BETTS. Just one more question, going back to this position that you take on the link between increased imports and tariff concessions.

Are you saying that if an American industry is injured by increased imports but there is no connection between those imports and a tariff concession, that they are not entitled to relief?

Mr. SURREY. Not entitled to escape clause relief. Relief on trade adjustment assistance would be available, which is an internal matter.

On the trade adjustment assistance procedure, which is internally how we take care of our companies and our people, that linkage is not required.

We are advocating that linkage, however, insofar as our dealings internationally are concerned.

For example, you could well have increased imports which are solely the result of new technology causing lower prices and having nothing to do with a tariff reduction.

In that case, we would not advocate escape clause relief.

Mr. BETTS. But they would be entitled to relief under the adjustment?

Mr. SURREY. They would be entitled to relief under the trade adjustment procedure. We would not ask for that linkage.

The CHAIRMAN. Mr. Surrey, I apologize for not being here when you delivered your statement. I have had a series of meetings I have had to attend both this morning and this afternoon.

Just in a nutshell, what is the position of your organization? Is it one of support of the administration proposal?

Mr. SURREY. Support of the administration proposal with the one basic qualification I gave on the escape clause provision: that is that we would still require that there be, for escape clause relief, a linkage between tariff reduction and injury.

We would accept the language "primary." When this was considered by the International Committee of the Chamber and by the Board, the chairman's proposal of substituting "substantial" was not before us.

I would personally go along with the word "substantial" provided you maintained the linkage, however, that the inquiry does result from a prior tariff reduction and is not just the result of increased imports.

The CHAIRMAN. Mr. Surrey, do the companies that belong to the international segment of the National Chamber of Commerce operate both here and abroad, generally speaking?

Mr. SURREY. The companies, as I mentioned in my testimony, consist of all types, those that are small companies, operating only here, and others which are multinational companies, operating both here and abroad.

The CHAIRMAN. They all have some degree of export from the United States?

Mr. SURREY. Not necessarily.

The CHAIRMAN. They don't?

Mr. SURREY. No, sir. They are American businesses of all types.

The CHAIRMAN. I have said repeatedly that I don't want anything except a freer type trade which is based upon reciprocity, wherein we receive the same access to markets that we provide others to ours.

That is what we wanted in 1962 when we passed the act that was the basis for the Kennedy round. I have become disillusioned quite a bit about whether or not ours is perhaps the only real open market of easy access, and that none of the others seem to have that type of arrangement for our goods.

Is that true?

Mr. SURREY. I think that is an oversimplification and overstatement.

The CHAIRMAN. What country has a market that is as easily accessible as ours?

Mr. SURREY. As easily accessible?

The CHAIRMAN. With no restrictions. With no licenses.

Mr SURREY. We have restrictions here, sir.

The CHAIRMAN. What do we have restrictions on? Agricultural commodities, yes, but what else?

Mr. SURREY. We have "Buy American" provisions. They have "Buy European" provisions.

The CHAIRMAN. What do they mean? Even agencies of Government won't buy an American-made generating facility. They buy abroad.

Mr. SURREY. They have to be a given percentage below the U.S. price in order to be acceptable under the legislation.

The CHAIRMAN. Nobody pays any attention to it here. It isn't enforced.

Mr. SURREY. Maybe what we are complaining about is not the law but the implementation of the law. Maybe it doesn't take a new set of conditions but, rather, a stronger position as to how you implement existing legal authority.

The CHAIRMAN. Admitted, that we have some restrictions, yes—I guess we do. I was trying to think of some outside of agriculture.

Mr. SURREY. We have health standards on food. You mentioned agriculture.

The CHAIRMAN. We have quotas on coffee all for the benefit of the South American countries. We handle that legislation in this committee. I know the background of it and why we do it. It is the great stabilizing influence in South America. It preserves governments to have an arrangement like this. Of course, we have the cotton arrangement, which is voluntary.

Mr. SURREY. We have the sugar allocation.

The CHAIRMAN. Yes, to the disadvantage of the American beet producers, so they say.

Mr. GIBBONS. Tomatoes.

The CHAIRMAN. Do we have quotas on tomatoes?

Mr. GIBBONS. On the size of them. The restrictions on the size of the tomatoes.

The CHAIRMAN. What kind of licensing arrangements do we have in the Unite States, Mr. Surrey, with respect to the importation of goods?

Mr. SURREY. We don't have a national licensing policy.

The CHAIRMAN. What kind of border taxes do we have here that apply to imports?

Mr. SURREY. We don't have border taxes.

The CHAIRMAN. So I ask you again: What country in the world is as easily accessible as is the United States as a market?

Mr. SURREY. I would agree with you that we are probably the most accessible.

The CHAIRMAN. I would say we are the only, almost, open market.

Mr. SURREY. And we are also the largest exporter.

The CHAIRMAN. Do you know the operations of the European Common Market? I am sure you do. What country in the Common Market supplies Japan, for instance, with the comparable market that we offer Japan in Japanese products?

Mr. SURREY. None.

The CHAIRMAN. I knew that. So they are not reciprocal, are they?

Mr. SURREY. At this stage they are not completely reciprocal.

The CHAIRMAN. At what stage will they ever be?

Mr. SURREY. You can go two ways in this, Mr. Chairman: You can make it reciprocal by escalating and both sides can escalate. We tried this with the tariffs, and it failed. Or you can make it reciprocal by bringing pressures for reductions of their tariff barriers.

The CHAIRMAN. I am just about fed up with us being the world's patsy, and that is about what we have been. We let them get by with anything and everything they want to do, and it is always justified by some agency of Government that they have to do it to preserve this or that, or avoid something else.

But when we try to work out arrangements to accommodate our situation here, when we are in a difficulty, it is awfully hard to get any support anywhere.

Mr. SURREY. I am not sure that in the coming decade we can pursue a course of futility on bringing about a reduction of their tariffs and tariff barriers. We do have in the legislation authority for the President to increase tariffs where there is significant discrimination against U.S. goods.

This is an authority which I think we should use.

The CHAIRMAN. He never has.

Mr. SURREY. I think the legislation here makes it clear and specific. I think our argument on this point is not a change in increasing quotas or nontariff barriers on our side, but a change to the extent that when we find that countries are discriminating radically against our goods, then to take the appropriate action under that section to increase tariffs against them, which would be compensatory treatment for a limited period of time until we succeeded in our negotiations.

The CHAIRMAN. I just want to know if I am too for different from you in my thinking. I have said that I am for freer trade. I am for real reciprocity in trade. In fact, I would be willing, so far as these underdeveloped countries are concerned, in order to let them develop, be willing to give them a preference in our market, if other countries would do the same thing.

I think they need it because equal treatment is not equality between them and industrialized countries of the world. They are too far behind. They have to catch up. They will never catch up just on the basis of treatment equality.

I have a lot of thoughts about these things. But I don't like to have us try to lead in this effort with nobody following us. They are not following us. We are taking the lead. We are doing everything. We want to repeal the American selling price to show our good faith about these indirect obstacles to freer trade.

We are not bargaining that against some other impediment that is an indirect impediment. We are going to do this to show our good faith.

We have done nothing since World War II except try to show our good faith and try to provide leadership. But every time there is a reduction in tariffs abroad, the record is quite replete with instance after instance that some action is taken, indirectly in nature, that makes it just as difficult for our products to get into those markets, if it is nothing more than the measurement of a foreign-made car against an American-made car, and a decision that it is not safe for an American-made car to be used on the highways.

I don't know what it is, but I am just wondering and I am thinking aloud with you.

I am just wondering whether or not our present program is adaptable for our needs in the seventies.

Do we need to take hold and look at the situation? Do we need to try to launch some entirely new program, regardless of what the temporary consequences might be?

Mr. SURREY. To go back to the statement that Mr. Conable made——

The CHAIRMAN. I am not talking about isolationism. I am talking about some new step, some new course of action. I don't think this is working. It certainly is not working for our benefit.

Mr. SURREY. Obviously, the chamber and the chairman are on the same side of the fence. Obviously, we both want an operable free trade system.

The CHAIRMAN. Freer trade. I don't think we could survive with free trade.

Mr. SURREY. We never achieve the ultimate.

The CHAIRMAN. No.

Mr. SURREY. The question that I would raise is that it may be better for us in the long run to use the authority where we are being discriminated against of increased tariffs rather than nontariff barriers which we are going to find much harder to get rid of.

This is one reason we support the authority to be given to the President to take action where there is discrimination against U.S. goods.

The CHAIRMAN. But that may be a complete embargo.

Mr. SURREY. It could be a complete embargo if it reaches that point, but it is also an embargo which would be implemented by Executive action and could be removed quickly in a negotiating position. What concerns me is that if we write into legislation terms on quotas and terms on other nontariff barriers these are going to be very difficult to remove and are going to make the negotiation on both sides of the fence that much harder.

I would give the authority, with the sense of the Congress, to the President to utilize the authority whenever he finds the kind of situation you describe.

But similarly I would want the President to have the authority to remove it when negotiations achieve that result without having to wait 8 years for legislation.

The CHAIRMAN. Let us assume we give the President that authority, and that may be a better way to do it, and you are sitting in the White House.

Mr. SURREY. Thank you, sir.

The CHAIRMAN. Well, these "surveys" are pretty smart people.

Mr. SURREY. They haven't been elected to office.

The CHAIRMAN. The President looks at the machinery situation, and I am the lawyer presenting him with facts that are irrefutable. Another lawyer on the other side agrees yes, these are the facts. Imports of machinery from 1962 to 1969 increased by 379 percent, at an annual average increase of 54 percent.

You are going to give him authority to operate under section 252, apparently, without regard to any showing that there is injury or that the injury has any relationship to imports or anything else.

The President looks at these figures and says, "That is too much increase. Our consumption is not increasing by any 54 percent a year.

On the other hand, our exports of like commodities have not gone up anything like that percent, by one-fourth. So I am going to take action and I am going to stop this precipitous increase in the next 5 years of machinery coming into the United States."

Is that what you would anticipate?

Mr. SURREY. No, sir.

The CHAIRMAN. What would he do?

Mr. SURREY. One would have to look to the reasons for the increase.

The CHAIRMAN. No, not under 252. You read it.

Mr. SURREY. For responsible implementation of it one would, I would think.

The CHAIRMAN. Yes, if you are going to be a responsible individual you would, yes. But you are giving the President more authority than the President, in my opinion, ought to have, or any President ought to have.

Mr. SURREY. If you are saying that you would want to write conditions into the grant of authority to the President——

The CHAIRMAN. I would think we would have to do that.

Mr. SURREY. (Continuing). I assume that the Congress would act equally responsible in the writing of those conditions.

The CHAIRMAN. Thank you, sir.

Mr. SURREY. But what would concern me is that both the branches of Government have the same objective in mind, which I assume would be an increase in our national wealth which necessarily involves an increase in trade.

The CHAIRMAN. What if we went to the President with this kind of authority and pointed out to him that our imports of all items had increased by 120.1 percent between 1962 and 1969 while exports had only increased by 74.3 percent; that this was having a very disastrous impact on the balance of payments and all of that.

If he has this kind of authority, would you expect him to use it with respect to the total gamut of imports?

Mr. SURREY. I would not just on those facts; no, sir.

The CHAIRMAN. What would you do? Would you do anything about this if this went on and went on and went on?

Mr. SURREY. One would have to look at the reasons for the increase in imports into this country and the reason for the slackening of exports to other countries.

The CHAIRMAN. What is the reason for these increases in imports, in your opinion?

Mr. SURREY. In some cases, it can be introduction of new systems.

The CHAIRMAN. What do you mean?

Mr. SURREY. Technology. New technology, I think, accounts for some cases for increased imports at lower cost into this country.

The CHAIRMAN. What else?

Mr. SURREY. In the case you give, you would have to look at the other side of the coin to see if our decreased exports proportionately have resulted from actions by the foreign government against U.S. imports on standards that we do not consider to be fair trade, such as licensing or unfair customs, and so forth.

The CHAIRMAN. Border taxes?

Mr. SURREY. Border taxes and such.

If you find the introduction of that type of element, then I would think that there would be an appropriate basis for some action, first by negotiation or by introduction of increased tariffs leading to, I would hope, additional negotiations.

The CHAIRMAN. I am just trying to get information from you, Mr. Surrey. I would like for you to give me a little bit more information as to why you think these imports have increased that much in this short period, 7 years?

Mr. SURREY. For one thing, I think in the immediate postwar period you had a case where there was no possibility of significant imports from these industries.

The CHAIRMAN. I am not worried about that. I am starting with 1962, the date of the passage of the last act.

Mr. SURREY. I think in the United States one reason has been inflation.

The CHAIRMAN. How much effect has that had?

Mr. SURREY. I think that has a serious impact and an increasingly serious impact. Inflation increases, as the Chamber mentioned in its testimony——

The CHAIRMAN. Isn't it more the fact that our economy has grown either with or without inflation, since this period of 1962 at a faster rate than have the economies of any of the other countries in the Free World? Isn't that the basic reason?

Mr. SURREY. I think that is important.

The CHAIRMAN. Is it the basic reason?

Mr. SURREY. I am not sure that it is.

The CHAIRMAN. What I am getting at is does it follow that your imports increase if your economy grows faster than the rest of the economies of the world grow? Does it automatically follow?

Mr. SURREY. No. You have to look at the totality of your gross national product to determine if your economy is increasing, not just on the import side.

The CHAIRMAN. Is one of the factors that wages—and I am not deploring the fact that they have gone up—is one of the factors possibly the fact that wages have gone up year by year faster than increased productivity has gone up in the United States?

Mr. SURREY. I think that is a factor.

The CHAIRMAN. It means that prices go up.

Mr. SURREY. Prices go up and import prices are more attractive.

The CHAIRMAN. We became less competitive throughout the world as well as at home?

Mr. SURREY. I think that is often so. I think that in some industries there has been a latent introduction of new technology.

The CHAIRMAN. What do you think is the reason for the rather sizable increase during this same period of time in imports of shoes from some of our European friends?

Mr. SURREY. Cheaper cost of production.

The CHAIRMAN. Do imported shoes sell cheaper when they are put in the retail store here than our domestically made shoes would? Is that the point?

Mr. SURREY. Some shoes, yes. You will find in the chainstores, I think——

The CHAIRMAN. Are they styling them better than we are?

Mr. SURREY. No. I am told by the shoe industry that the styling at the very low cost is not the attractive factor. It is merely the cost.

The CHAIRMAN. Is one of the causes of this big increase in imports during this period of time the result of the spread of American businesses through subsidiaries to foreign countries?

Mr. SURREY. The spread?

The CHAIRMAN. The multinational-type operation.

Mr. SURREY. Is this a reason for increased imports?

The CHAIRMAN. That was mentioned this morning by a representative of the AFL–CIO.

Mr. SURREY. I do not believe that. I added to my testimony the statement that this morning's conversation on multinational corporations somewhat confused me as giving rise to the impression that they exist only in the less developed country, that they have nothing to do with increased exports.

The U.S. corporation going abroad, as I mentioned earlier, goes for many reasons. In the extractive industry it is clear why it goes. Where the raw material is it has to go.

Where companies have been exporting and find local competition a problem they manufacture in that area in order that their source of manufacture can be close to the source of consumption and they can meet competition.

Most of our investments of American corporations have been in the developed countries.

The CHAIRMAN. That is true.

Mr. SURREY. They have not been in the less developed.

The CHAIRMAN. That is true.

Mr. SURREY. As I mentioned earlier, I think, the compatriots of yours sitting in France, England and the other Western European countries, are wondering what to do about the U.S. multinational corporation as a threat to them.

The CHAIRMAN. I understand we are willing to take over all production there if they are willing to sell it to us.

Mr. SURREY. I don't know if we are willing or capable.

The CHAIRMAN. We are capable if someone would lend us enough money.

Mr. SURREY. We have found, despite the controls of 1968, other sources of money within the European dollar market. But I don't think the multinational corporation has had that impact.

The CHAIRMAN. Let me ask you if the fact that our tariff duties are now averaging out at a lower rate than do the duties of any other of our trading partners has anything to do with this difference in our increase in exports and our increase in imports?

Mr. SURREY. I think you would have to go through that on a case-by-case basis.

The CHAIRMAN. You can eliminate some cases right off because we don't export any.

Mr. SURREY. You mentioned earlier the case of coffee. We reached an agreement but we don't grow coffee.

The CHAIRMAN. You can forget that. That is not an impediment. That is to help preserve the governments of South America.

Mr. SURREY. That is right.

I think you would have to look at it on a case-by-case basis to determine if it is the differential in the tariff that is really causing the problem. I think also it is true that the gap between our tariff system and the tariff rate of the other developed countries has been reducing.

The CHAIRMAN. Is there anything under the rules of GATT that we can do other than decrease tariffs?

Mr. SURREY. Well, we can increase tariffs as a protective device.

The CHAIRMAN. Yes, under an escape clause action and pay compensation.

Mr. SURREY. Under GATT we have certain possibilities of the utilization of the indirect tax rebate system, which is allowed under GATT.

In our case, the border tax would be relatively small as compared to the European or Western community border tax but you still would have some rights there.

Your excise taxes, your gas taxes, your road tolls and so forth, could be rebated.

The CHAIRMAN. But not your income tax. That is specifically excluded.

Mr. SURREY. Their's is not either.

The CHAIRMAN. It so happens that we are the only ones that depend as much as we do on income tax.

Mr. SURREY. That is true. I will leave that to another Surrey, sir.

The CHAIRMAN. We have talked about it, the other Surrey and I have.

Have we discussed all possibilities of why these imports have increased so much more than our exports? Does any other thought occur to you that has made a contribution to this situation?

Mr. SURREY. I am asking my colleagues.

The CHAIRMAN. Mr. Field?

Mr. FIELD. I would like to point out that I believe our balance of trade surplus has declined some $4 billion since 1966. A major part of this can be attributed to three countries. One is Canada, the second is Germany, and the third is Japan.

The CHAIRMAN. We have practically given Canada an unrestrained entry into the market on automobiles. There is no question about that.

Mr. FIELD. That is correct.

The CHAIRMAN. They own the plants in Canada as well as in the United States. Nobody complains about the loss of jobs, if any, because the members on both sides of the border belong to the same union.

Mr. FIELD. I was getting back to the question of 806.30 and 807 in terms of jobs going across the border.

May we first address ourselves to the question of imports from Germany and Japan? Both of these countries have had a surplus in their balance of trade with the United States.

Both of these countries now have fully developed economies. They are both reconstructed. Both of them maintain their currencies, Germany until recently, in an under-valued situation.

This, in effect, is a subsidiary to their exports and hurts our imports. So I feel that perhaps the United States might look into some form of freely fluctuating exchange rates, or at least increasing the band so that we cannot have fixed parity exchange rates as a method of subsidizing foreign countries' imports into the United States.

The CHAIRMAN. Both of them have very favorable trade balance with us now.

Mr. FIELD. Both of these countries do, yes; although I understand that the German trade balance with the United States has shrunk and continues to shrink since they revalued their mark.

The CHAIRMAN. Yes.

Mr. FIELD. Japan, of course, maintains a great number of artificial barriers to our exports. These artificial barriers, I believe, are unnecessary. Japan is a fully developed economy today.

The CHAIRMAN. I have been trying to tell my friends who come to see me from Japan that they have grown up in that respect and have nothing to fear. But I haven't been able to get it across yet, evidently.

How do we get it across to them that they are strong, strong enough to face the world?

Mr. SURREY. There is a case, I think, where you find that the Japanese have certain restrictions on investment and trade.

The CHAIRMAN. Certain?

Mr. SURREY. Certain restrictions on investment and trade of U.S. investments and trade, where the authority might well be used in any negotiating process.

The CHAIRMAN. Do you know whether or not there is a branch of the Chase National Bank anywhere in Japan, like the Bank of Tokyo, California, and the Bank of Tokyo, New York?

Mr. FIELD. No, sir; I don't think so. I think the Japanese are continuing their policy of trying to keep American companies out of their country.

For instance, they have prevented or tried to prevent the semiconductor companies from establishing operations in Japan.

The CHAIRMAN. Do we have a similar policy toward their ownership of businesses here?

Mr. SURREY. On banks, of course, you have no Federal law that permits the incorporation of a foreign-owned bank. You have State laws.

The CHAIRMAN. I don't know whether these are Japanese-owned banks. They may be American-owned banks. I do know there is a Bank of Tokyo, California.

Mr. FIELD. The Japanese Government came to the United States recently and asked for the return of Okinawa to Japanese control.

The CHAIRMAN. That is all right. It will cost them something to control it from now on.

Mr. FIELD. Is it not reasonable that the United States should say, "If we return this to your control, will you reduce some of your barriers?"

The CHAIRMAN. You don't dare make suggestions like that. You don't understand how our State Department operates. You don't insult our friends by making any such suggestions like that.

That is why we are fencing, I think.

Mr. SURREY. I don't think we are fencing. I don't think we are saying the same thing.

The CHAIRMAN. There is no doubt about it, we are not.

Mr. SURREY. I think what we are saying is that without getting into legislative barrier systems, the executive branch must be firmer in its negotiations with respect to the equalization of entry of U.S. goods into Japan for Japanese goods to enter here, and I include also investments as well as trade.

The CHAIRMAN. We are always accused of turning protectionist, if we do that.

Let me assure you, Mr. Surrey, that I, no more than you, like quotas. I don't even like voluntary quotas. I like voluntary quotas much better than I do unilaterally enacted quotas.

But I don't like for some of our industries to feel that there is no future to their operation in the United States. When the owners of an imperiled company come to you as they have me, and tell you, "Which one of the four plants in your district would you prefer to have us close; we are closing one, because we are opening a plant in Hong Kong to produce this shirt," that is a decision that you don't ever dare ask a politician to make.

It is a little embarrassing. I didn't get to be chairman of this committee to preside over any such thing as that, either.

Maybe we are thinking narrowly or something in our views, but we do have a responsibility to see to it that American industry can survive here in the United States. Do you agree with us?

Mr. SURREY. I agree with you. I only ask that it be done in a way that doesn't defeat us.

The CHAIRMAN. We are talking and talking and we get nowhere. The time has to come when you act, and that is now.

Mr. SURREY. There is where our disagreement may well be.

The CHAIRMAN. I know it. I know you disagree.

Mr. SURREY. Then again, as you said before, you were elected and I was not.

The CHAIRMAN. I am sorry, I have taken too much of your time.

Are there any further questions?

If not, thank you very much.

Mr. SURREY. Thank you.

(The following was received by the committee:)

1970: THE UNITED STATES AT THE CROSSROADS IN TRADE POLICY

(A speech by F. Taylor Ostrander, Assistant to the Chairman, AMAX (American Metal Climax, Inc.), at Buffalo, N.Y., May 22, 1970)

Observance of World Trade Week in May this year is unusually timely. Hearings finally began, just ten days ago, before Chairman Wilbur D. Mills and the House Committee on Ways and Means on President Nixon's foreign trade proposals presented to Congress last November 18 and other pending foreign trade proposals. The Administration's recommendations, incorporated in the proposed "Trade Act of 1969" (H.R. 14870), include the following principal points:

Authority is requested for a three-year period to make modest reductions in tariffs of up to 20% or by 2 percentage points *ad valorum*, largely in order to permit some flexibility in the administration of present traiffs, especially in compensation for possible U.S. tariff increases under escape clause actions.

A clear statement of Congressional intent is requested to support Administration efforts to obtain reciprocal lowering of so-called "non-tariff barriers" to trade. The Secretariat of the General Agreement on Tariffs and Trade (GATT) in Geneva is beginning work on this difficult problem and the Administration has already called for the opening of a discussion of non-tariff barriers within GATT.

As a first step in this direction, legislation is proposed to eliminate the American Selling Price system of customs valuation as now applied to benzenoid chemicals and rubber-soled footwear. This 50-year-old form of "infant industry" assistance system is considered by many abroad as America's most unjustified non-tariff barrier, the very symbol of protectionism. It certainly provides extraordinarily high protection for a privileged industry. In the Kennedy Round of tariff negotiations three years ago, reciprocal concessions were negotiated which will come into effect only when Congress acts to eliminate the American Selling Price system of valuation, and which will benefit certain other American chemical exports, U.S. automobiles, and tobacco.

Improvements are proposed in the means by which U.S. industry, firms, and workers can receive government assistance to meet injury truly caused by imports:

> *First*, by liberalizing the so-called escape clause in the (Kennedy) Trade Expansion Act of 1962 by providing that temporary tariff rate increases could be made on an industry-wide basis whenever increased imports are *the primary cause* of actual or potential serious injury to a domestic industry, whether or not there has been a prior negotiated tariff reduction. Up to now, imports had to be *the major cause* of injury and only tariffs that had already been reduced in reciprocal trade negotiations were eligible for this relief.

Second, by making individual firms and groups of workers more easily eligible for the Adjustment Assistance Provisions of the 1962 Act whenever increased imports are found to be *a substantial cause* of actual or potential serious injury. Again, this liberalizes the present concept of major cause, and proposes to eliminate the link to prior negotiated tariff reductions.

Finally, new Presidential authority is sought to retaliate under Section 252 of the 1962 Act against other countries that practice unfair action that is harmful to U.S. products of any kind, whereas only agricultural products are now covered; and in addition, new authority is asked to retaliate against subsidized competition affecting U.S. exports in third-country markets.

Two weeks ago, President Nixon asked "speedy enactment" of these proposals.

The President also promised early announcement of his so-called "blue ribbon" Commission on International Trade and Investment Policy, to consider and recommend long-range policy for the United States.

It is the understatement of the year to say that there is a great deal of concern in Congress and in the Executive Branch and in the ranks of business, labor and agriculture over the present position of U.S. trade.

This reflects, of course, the sharp recent deterioration in the U.S. trade balance. Our so-called favorable or positive balance of merchandise trade, which had averaged about $5 billion in the first eight years of the sixties nearly disappeared in 1968 and 1969, when it fell to around $1 billion. This occurred at a time when foreign expenditures associated with the South East Asia war were heavy, when continuing expenditures for foreign aid (even at recent reduced levels) were sizeable, and when the demands for U.S. investment abroad (even with the mandatory controls) remained strong. The sudden deterioration in the trade balance compounds the problem of the persistent deficits in our balance of payments which were already a problem. It indeed poses a major question for U.S. foreign economic policy.

However, it is essential that we keep the situation in perspective. When our international trade, imports and exports combined, totaled $50 billion five years ago, the balance between the two sides of the account was plus $5 billion. Now that our total foreign trade has risen to $73 billion, the balance is a marginal plus $1 billion.

U.S. exports are booming. They rose by more than $3 billion in 1968 and again by more than another $3 billion in 1969, increases of about 10% a year. The record total of U.S. exports of $37.3 billion last year compares with $27 billion in 1965 and only $20 billion at the beginning of the decade. This has been achieved despite all the talk of U.S. goods being priced out of world markets. It is impressive to consider what our exports might have been in these years just past if we had not had an inflation of domestic costs.

The problem we face arises from the fact that U.S. imports have recently increased extraordinarily, especially in the years 1965, 1966 and 1968. In 1965 imports rose by $2.7 billion or by 14%; in 1966 by $4.2 billion or by nearly 20%; and in 1968 they rose by an astonishing $6.3 billion or nearly 24%. In 1969 the growth was back down to only 8.5% or just under $3 billion. Our total imports of $36 billion in 1969 were 75% higher than in 1965 and more than double the $15 billion level at the beginning of the sixties.

To an economist, the cause of this sudden spurt of imports is quite obvious: it is domestic inflation. Any period of rapid growth in gross national product has the effect of inducing proportionately greater imports. But price inflation has even more suction effect on imports than does rapid growth in gross national product. In the past six years our national product has increased by 50%, at current prices. Even adjusting for price inflation of 18% in the same period, this was a remarkable achievement. On top of that, we in the United States have been experiencing inflation at a higher rate and for a longer period than we have been accustomed to since World War II. We are surprised at the effect on our imports of our rising domestic demand, rising domestic prices, rising domestic costs and increasing domestic shortages of goods. It is really not surprising that imports grew by 90% in those same six years.

Particular types of U.S. imports have shown even more spectacular increases. This, of course, has caused particularly heavy import impact on some sectors of U.S. industry, on some companies, on some communities. This is the reason lying behind the hundreds of bills recently introduced in Congress proposing quotas on specific commodities.

For example, it is perfectly obvious that the present situation of certain parts of the U.S. textile and shoe industry, in the light of recent import trends, has become a matter of prime political concern to many Congressmen. More than a year's efforts by Secretary of Commerce Stans to try to obtain Japanese agreement to impose comprehensive, across-the-board *voluntary* restraints on the export to the United States of woolen and man-made textiles have had so far no successful outcome. This effort, which would extend the coverage of the fifteen-year-old voluntary Long Term Cotton Agreement, has become a major economic and political dispute between Japan and the United States.

In view of the impasse, Congressman Mills, for many years one of the strongest supporters of trade liberalization, has introduced his own bill to establish quotas on the imports of textiles and shoes, a bill now supported by nearly 200 members of the House.

The AFL–CIO, in an important change from its traditional endorsement of liberal trade policies, now expresses extreme concern at our deteriorating trade position and calls for a thorough change in United States trade policies.

I might add that the AFL–CIO has also, in this context, launched a new attack on the U.S. foreign investment in general and specifically on American-based multinational corporations, which are accused of "exporting jobs."

Now, it has always seemed to me that the multinational corporation—my own company has been one for many years—is a natural, indeed inevitable, outgrowth of economic interdependence among nations in the age of modern commerce, travel and communication, in an age when the growth of world-wide industries and world-wide markets has become feasible. The multinational corporation enables all the factors of production to be freely mobilized and developed on the most efficient world-wide basis. The President of International Nickel Company expressed this clearly:

"The multinational corporation is a natural economic outgrowth . . . a logical step in the economic development of the world. It is a part of the same trend toward economic cooperation that started with the Bretton Woods monetary agreement, flowed to the European Common Market and the GATT . . . and the increasing international cooperation in monetary affairs.

"The multinational corporation has been, and has the further potential to be, an invigorating, liberating force in the world. We who believe in that potential, believe that in the free flow of money, men, ideas, goods and services across national boundaries, there lies a force for economic prosperity, and thus the chance for a better life for the inhabitants of every part of the globe."

Although quite a number of these companies are also based in other countries, the multinational corporation is to a considerable extent a further flowering of the American genius for large-scale management. It has never been advantageous to labor to resist the fruits of that genius. I hope this latest AFL/CIO attack is not on a par with the destruction of modern machinery whose benefit to themselves they did not understand, by groups of Luddite workers in England 150 years ago.

To come back to trade. It is obvious that the policy of liberalization of trade that has been supported by six successive Presidents of the United States, and by a broad bipartisan coalition for over 35 years, today faces a fundamental challenge. It is not too strong to say that at the beginning of the seventies the United States stands at a vital crossroads in trade policy and in its world trade position.

On the one side there is a danger of inertia, of failing to continue to move forward to deal with remaining trade expansion possibilities. There is the greater danger of turning back, of renouncing the basic principles of the liberalizing program which has brought the United States to leadership in world trade and has produced such major benefits to our economy. The greatest danger would be to take self-defeating actions that could cause other nations to retaliate against our trade, possibly leading to a downward spiraling of U.S. trade and even of world trade as a whole. I refer here, of course, to import quotas which are, intrinsically, the negation of the market mechanism, the antithesis of basic concepts on which a free enterprise system is based, and involve extreme bureaucratic intervention into the conduct of private business.

On the other hand, regardless of which side of the trade liberalization argument he follows, practically everyone now agrees that there is some basic imbalance, that our major trading partners are not holding to their end of the bargain, that they have counted too confidently on our commitment to leadership in trade liberalization.

The time has come for the U.S. Government to drop its former defensive position in its approach to GATT. We can no longer afford to overlook some major and a good many smaller disappointing shortfalls in the actions of other nations and in their responses to our liberalizing measures. Infractions of GATT obligations, such as Japan's failure to dismantle quotas despite her newfound economic power, and the European Economic Community's barriers to U.S. agricultural exports, will have to be terminated, and terminated speedily, in order to avoid unwanted, unfortunate and probably mutually unproductive protectionist measures by the United States.

Secretary of the Treasury Kennedy, at the American Bankers' Association meeting on Wednesday of this week, expressed these views forcefully when he said:

"We do not want to follow the road of restrictionism. We want to resist the pressures for mandatory controls on imports and other inward-looking solutions. We have too much at stake, for ourselves and the rest of the world, to retreat now.

"But realism requires that we do not stand still. We must do the other things necessary to assure a stronger trading position if the pressures for restrictionism are not to overpower us all."

At the House Hearings on the Trade Bill, Chairman Wilbur Mills said "We can't let the U.S. become a dumping ground, the only open market in the world."

The National Chamber's testimony three days ago closely mirrored Chairman Mills' concerns. It stated:

". . . it is clear that other major trading nations unfortunately have not followed the U.S. lead toward freer trade . . . They have not granted to U.S. goods the same equitable access to their markets as we have given their goods here . . . It is time for U.S. trade policy to recognize some changing perspectives which have occurred since 1962."

Now, if we consider the various parts of President Nixon's proposed Trade Act it will be apparent that it represents no major crusading advance. Each proposal is concerned in one way or another with the protection of U.S. industry and of U.S. exports. The bill seeks to deal with the problems of unequal access to national markets but to do this in keeping with the letter and spirit of GATT principles and procedures.

Some are disappointed at this. The Committee for a National Trade Policy (CNTP), called it a "minimum" bill, "not wholly adequate even as an interim device to ensure continuity in our mutually important trade agreements program." But CNTP supports the bill in its essentials.

Other major organizations of American business—the U.S. Council of the International Chamber of Commerce (ICC), the National Foreign Trade Council (NFTC), the Emergency Committee for American Trade (ECAT), as well as CNTP and the National Chamber—all support the President's proposed Trade Act.

The U.S. Council of ICC, recognizing the serious trade problem the U.S. faces both with Japan and with the Common Market, as well as the problems arising fom our own inflation, still cautions that a solution to these problems will not be found in a retreat into protectionism, but "in maintaining our GATT obligations and asserting our rights under GATT, in giving the President the necessary authority to continue to conduct negotiations for the removal of tariff and non-tariff barriers."

The Emergency Committee for American Trade (ECAT) states that the bill is "one that will make it clear to the rest of the world that American trade policies will continue to be sensible and consistent . . . (that we) will stimulate similar prudent and positive actions on the part of other nations."

And I, for one, am in complete agreement with ECAT in their conclusion: "In his proposed Trade Act, President Nixon appears to have written precisely the right prescription for the United States at this juncture in its trading relations with the rest of the world."

And now a final word on the subject of the recent import surge, and I speak as an economist. The same acceleration tendency that speeds import growth during a period of strong expansion and inflation acts in reverse as a decelerating force when growth slows down and inflation is brought under control.

It has been a tough job getting this inflation under control, and it is taking much longer than anticipated. This is only a measure of the amount of inflationary pressure that had been built into our economy, into the anticipations of consumers and businessmen, into stock prices. The cause lay in successive mistakes of a former Administration, of two former Congresses and of the Federal Reserve Board itself. The attempt to finance a costly war without economic sacrifice by the public, long delay in imposing necessary tax increases, and interests, and incredible softness of monetary policy at the wrong time—these brought on our inflation. And thus they were responsible for one of the greatest import surges in world history.

Despite a lack of positive evidence that prices have yet been brought under control, the record of gross national output and of gross private expenditure gives unmistakable evidence that most basic factors in the economy are being brought under control. I read the recent break in the securities market as in large part a sign that investors now realize that the inflationary steam is going out of the economy.

It seems to me it would be a tragedy of misplaced and mistimed economic policy if Congress should at this moment try to deal with the import impact of inflation by quotas and other restrictive trade measures that can only take effect in future years—after the inflation has been controlled and the import surge has begun its own self-correction.

There is one last aspect of trade policy that I should mention, as it is of interest to our honored guests from the developing countries.

Six years after it was initially proposed at the first UNCTAD Conference in 1964, we may be finally approaching some progress on preferences in the tariff systems of the industrialized countries for the exports of developing countries. Such preferences would be non-reciprocal, that is, they would be extended by the industrialized countries without any demand for reciprocal favors on their exports to the developing countries. Preferences of this kind conflict with the long established first principle of U.S. and GATT trade policy—the principle of most-favored-nation treatment to avoid preferences to some countries or to some goods. There is also a considerable question as to whether many developing countries are ready to take advantage of such preferences on their exports, despite their eagerness to have them.

Nevertheless, last November the Nixon Administration expressed to the OECD in Paris its willingness to seek Congressional approval for a liberal system of tariff preferences for developing countries, conditional on fair participation in such a system by all the major developed countries. The preferential duties would be set at zero for not more than 10 years and would cover all manufactured and semi-manufactured products except textiles, shoes and petroleum products and would also cover a long selected list of agricultural and fishery products. Under this proposal, however, the developing countries which now have preferential relations with the European Economic Community would be excluded from the scheme's application.

This is a strikingly generous proposal on the part of the United States and it has provided an initiative which might well now bring this matter into the final stages of negotiation.

The CHAIRMAN. Our next witness is our friend, Mr. Nelson Stitt, Director, United States-Japan Trade Council.

STATEMENT OF NELSON A. STITT, DIRECTOR, UNITED STATES-JAPAN TRADE COUNCIL; ACCOMPANIED BY DANIEL MINCHEW, LEGISLATIVE DIRECTOR

Mr. STITT. Mr. Chairman and members of the Ways and Means Committee, I am Nelson A. Stitt, Director of the United States-Japan Trade Council, an association of approximately 800 firms doing business in the United States and interested in promoting a growing healthy trade between the two countries. We appear here in support of proposed legislation which would advance this purpose and in opposition to proposed legislation which would inhibit the mutual exchange of goods.

At this time I would like to introduce to you, on my right Mr. Daniel Minchew, our legislative council. Mr. Minchew was born and bred in the State of Georgia, I was born and bred in Pittsburgh, Pa., so we represent both sides of the Mason-Dixon line, to say nothing about Japan.

I first would like to state our appreciation for this opportunity to appear before this august body and present our views.

SUMMARY

Introduction

1. Japan has moved from a state of dependence on the United States, to a state of full independence and consciousness of national pride. Consequently, the United States demand that Japan impose limitations on its textile shipments to the United States, as well as the manner in which the demand has been made, is regarded in Japan as offensive to its self-respect.

2. Japanese goods are sold in the United States because Americans want and need them. The problems caused by imports involve a balancing of domestic interests, chiefly consumers versus groups requesting protection. Imports should not be discussed as if they were solely an issue between the supplying nation and the United States.

3. Japan is steadily removing its own restrictions on imports. The controls still remaining in Japan have little significant effect on the volume of United States transactions with Japan.

4. Contrary to some of the comments made during these hearings, Japan is cooperating loyally with the United States on both economic and political issues. There is no valid basis for invidious comments about Japanese business and government officials—because of the current United States trade balance deficit with Japan—when the United States runs similar trade deficits with Canada and Germany, about whom such comments are not made.

The Administration Bill

We endorse the Administration bill, H. R. 14870, and urge its passage, with some proposed changes in language.

The Mills Bill

We strongly oppose the provision of the Mills bill, H. R. 16920, which would place additional barriers upon United States imports, reduce the discretion of the Tariff Commission, unduly enlarge the reach of the escape clause, and hold to a minimum the President's authority to reduce tariffs.

Presidential Authority

We support the grant of limited authority to the President in the Administration Bill to reduce duties up to 20%, and oppose the limitation on Presidential authority in the Mills bill.

American Selling Price

We support the elimination of ASP as provided in the Administration bill. ASP has become a highly visible symbol of American protectionism, used by foreign nations to justify their own nontariff barriers. Abolition of ASP would create greater export opportunities for the United States chemical, automobile and tobacco industries.

Escape Clause

We support the Administration bill's escape clause provisions, with some changes, and oppose the Mills bill's provisions on this subject.

1. We suggest retention of the present language of the Trade Expansion Act concerning the relationship between tariff concessions and industry escape clause relief, but changing the word "major" to "substantial."

2. We support the language of the Administration bill requiring escape clause remedies when increased imports are "the *primary* cause of serious injury." We consider this language to be a reasonable middle ground between the language in the current law calling for increased imports to be "the *major factor* in causing injury" and the language the Mills bill suggesting that increased imports be "a *substantial* cause of such injury."

3. We oppose the provision of the Mills bill adding a definition of "domestic industry" which would provide for segments of companies to be considered as part an industry for the purpose of injury determination.

4. We oppose the provisions of the Mills bill which would eliminate automatic termination after four years of import restrictions laid down by an escape clause action.

Adjustment Assistance

We support the provisions of the Administration bill for continuation of fairly severe standards to be met before industries can obtain import restrictions under the escape clause, but we endorse more relaxed standards where individual firms and groups of workers have been injured. We support the concept of adjustment assistance where the need arises, regardless of cause.

Textile Quotas

We are strongly opposed to legislatively-imposed quotas on textiles and apparel for the following reasons:

1. The United States textile and apparel industries have shown a healthy growth over the past decade in production, sales and profits and new investment.
2. Employment in these industries, in the face of growing automation, has risen about 300,000 between 1961 and 1969.
3. Textile imports in 1969 represented only 8.5% of total United States consumption.
4. Restrictions on textile imports would result in inflationary price rises to American consumers, especially in the low income brackets.
5. Mandatory import quotas on textiles would have a serious adverse affect on United States exports of manufactured products and agricultural commodities.
6. Textile quotas would have a severely damaging impact on the economies of many underdeveloped countries in Asia and Latin America.

We urge that the textile issue be examined on a sector-by-sector basis, rather than seeking comprehensive across-the-board limitations.

Footwear Quotas

We welcome statements from Administration spokesmen that they do not find a case for quotas. If injury can be established to individual firms in the industry, adjustment assistance would be in order. Footwear is not a major issue in United States-Japan economic relations. Footwear imported from the Far East is almost all sold in mass distribution outlets at prices well below those of United States-made shoes, and they displace very few sales of higher priced shoes. Imports of lower priced footwear are shifting from Japan to the underdeveloped countries of Asia.

United States-Japan Reciprocity

1. *Japan's Residual Import Restrictions.*—The Japanese Government has escalated its tempo of import liberalization in the past six months. It has decided to advance the final stage of Kennedy-round tariff cuts from January 1, 1972 to either January 1 or April 1, 1971, a move which will increase Japan's imports $400–$500 million next year. In spite of continued criticism in this country of Japan's import restrictions, United States exports to Japan during the past ten years have nearly tripled, and have increased more during that period than U. S. exports to any other country.

2. *Japan's Trade Surplus.*—It is well known that Japan had a $1.4 billion trade surplus with the United States and a $3.8 billion surplus with the world in 1969, but not generally realized that Japan had a record deficit in invisible trade which amounted to $1.3 billion in the same year. Japan's dependence on raw materials imports is so great that the government must maintain substantial foreign exchange reserves for protection against market fluctuations abroad.

3. *Voluntary Export Restraints and European Discrimination.*—Japan currently restricts "voluntarily" a wide range of exports to the United States. In addition, Western European countries maintain numerous discriminatory restrictions aimed solely at Japanese exports. European discrimination is gradually being reduced, but the Japanese are concerned about current United States moves in the direction of greater restrictions.

4. *Capital Liberalization.*—Japan is steadily liberalizing in the field of capital investment. Even under present restrictions, there are already in Japan more than 700 foreign subsidiaries, branch offices and joint ventures with foreign share ownership of 20% or more. The fourth round of liberalization, now expected in October, 1971, will complete liberalization in the sense of 50% foreign share ownership.

Mr. STITT. Let me say this, Mr. Chairman: We have a pamphlet which I would like to have in the record, if possible. That is the one on textiles. Let me say personally it is rather painful to me to oppose your bill practically in its entirety.

The CHAIRMAN. Don't feel that way.

Mr. STITT. I am very grateful for your stand on trade in the past, but I think your bill is not very good. Can I say ridiculous?

The CHAIRMAN. You may say whatever you want. But can't you get accomplished what I have wanted to accomplish, where the bill wouldn't have to pass? Can't you get done what I have been trying to do and can't do?

Mr. STITT. Sir, as far as textiles are concerned, I cannot.

The CHAIRMAN. You can't?

Mr. STITT. No.

The CHAIRMAN. Do you mean it is hopeless?

Mr. STITT. You know in steel we had our mutual——

The CHAIRMAN. I know, you were very helpful. If it had not been for you in all probability there wouldn't have been any steel agreement. I know that. You worked hard on it. That is why I expected you to be able to do the same thing in textiles.

Mr. STITT. You are asking too much of me, sir. Steel and textiles are two entirely different industries. You are asking for a governmental agreement in textiles. I am going to get into this in my statement.

The CHAIRMAN. All right.

You do have permission to insert this pamphlet in the record.

Mr. STITT. Thank you, indeed. I particularly appreciate that because it is almost totally opposed to the so-called Mills bill.

The CHAIRMAN. See how unselfish I am?

Mr. STITT. Thank you.

INTRODUCTION

Having been engaged professionally for the last 25 years in economic relationships between Japan and the United States, I want to comment at the outset on some of the things that have been said thus far during the present hearings with respect to those relationships. Mr. Chairman, I feel that many unjustified and unfortunate assertions have been made. In my following testimony, the problems of textile quotas and Japanese liberalization of imports of both goods and capital are discussed at length. At this point I wish to stress just the following points:

First, the rapid and, indeed, astonishing increase in Japan's economic strength has created new circumstances which many in both nations do not yet fully appreciate. In the United States, we have not fully realized that Japan has moved from a state of dependence on the United States, as during the occupation and post-occupation periods, to a state of full independence and with a consciousness of national pride. These changes make the relationships of only a few years ago no longer possible. For instance, I recall very vividly that in 1955 Sherman Adams suggested to the Japanese that it would be desirable to limit their shipments of cotton textiles, and the Japanese felt constrained to accept this suggestion from the White House. Today, on the contrary, one of the reasons the problem of woolens and man-made textiles has become so difficult is that the United States proceeded not just to suggest, but to demand that Japan impose limits upon its shipments to the United States. The manner of the demand as well as the demand itself was regarded in Japan as offensive to self-respect.

On the other hand, I do believe that the Japanese are just beginning to grasp the implications of their new found power. As a consequence of this realization, they have proceeded to remove trade and financial restrictions at a pace which to them seems rapid but which has been disappointing to some in the United States.

Second, we must not let the frustration over the many problems that we have in the United States today vent itself against the Japanese simply because they are diligent workers and salesmen, because they are visible, and because they are foreign. Japanese goods are here in the United States because Americans want and need them. The problems that they give rise to are problems involving a balancing of United States' interests, chiefly consumers versus groups requesting protection. It is essential that we systematically and dispassionately explore those problems and not discuss imports as if they were solely an issue between the supplying nation and the United States.

Third, one might have the impression from some of the things that were said in this hearing room that Japanese doors are closed to American goods and that there is no reciprocity at all. On the contrary, U.S. sales to Japan are increasing at a very satisfactory rate—about 10 percent from 1968 to 1969—and Japan still remains our best offshore customer. Imports into the United States, not only from Japan, but also from many other countries, have sharply increased primarily because of the United States inflation. And, imports have served as essential purpose in helping to hold down prices which would otherwise have risen more than they have. Rather than there being any refusal on the part of Japan to remove import restrictions remaining from the days of authrorized foreign exchange controls, liberalization is now the order of the day in Japan. The expression "Internationalization," which is their word for it, is constantly found in the economic journals of Japan. At the same time, because trade is essential to Japan's very existence, these issues are a matter of great emotional concern to the Japanese people.

We have never experienced controls of this type in the United States, but we have to understand that for Japan, controls on both imports and investment have been conditions of economic life for the entire postwar period. For this reason, it has seemed axiomatic to the Japanese that controls which so deeply affected the economic life of the country should be removed bit by bit and not all at once. However, as far as import restrictions are concerned, the end of the road is in sight, and I can say without any hesitation at all that the controls that remain in Japan have little significant effect upon the volume of U.S. transactions with Japan.

Japan's success story is not a success for Japan alone, but it is also a success for the postwar policy of the United States. With no country have our relationships proceeded more smoothly, with greater friendship and with less friction than with Japan since 1945. This has special importance for the United States.

Japan is now the second economic power in the free world. This fact, plus her strategic location in the Far East, increases the significance of Japan as a customer and ally. Despite the current trade deficit, Japan is the largest offshore customer of the United States, assuring jobs and income for thousands of American workers.

During the course of these hearings, I have been disturbed to hear Japan referred to in terms as disparaging as many of those used. For example, it could have been concluded, after hearing some of the comments made during these hearings, that Japan was using its economic success to undermine the United States. Quite the contrary is true. Japan, as should any good and loyal ally, has cooperated with the United States. For example, during the United States' "gold crisis" of several years ago, did Japan rush to convert its dollars into gold? No; although many dollars in Europe were converted into gold. Who at that time was cooperating with the United States? At a time when the United States is attempting to reduce its presence in the Far East, which nation does the United States depend upon to provide additional peaceful leadership to counter the economic influence of Communist China? Mainly Japan. What country, of all the nations in the world, is increasing its aid to underdeveloped nations at the most rapid rate? Again, Japan.

Let me ask, Mr. Chairman, what do you suppose passes through the mind of the Japanese business or government official when he hears himself described as greedy, arrogant, and an exploiter of human beings—because of a current U.S. trade balance deficit—when the United States runs a similar trade deficit with Canada and Germany, against whom such comments are not made? It would probably be disturbing to know. While we need the friendship of all nations of the world, let me repeat, that Japan's economic power and strategic location in the Far East makes it imperative that we not single Japan out for abuse.

Now, let me turn to the legislative proposals before this committee.

THE ADMINISTRATION BILL

We endorse the purposes of H.R. 14870 and urge its passage, with some proposed changes in language, to assure that it does not inadvertently provide hindrances to the growth in world commerce which has served the nation well over the last 36 years. While all recognize that H.R. 14870 is not a great step forward in United States trade policy, as was the Trade Extension Act of 1962, we also are realistic enough to recognize that now is not the time for great leaps toward freer international trade. A number of intervening problems, such as proliferation of nontariff trade barriers both here and abroad, need to be solved first.

THE MILLS BILL

We strongly oppose, practically in their entirety, the provisions of H.R. 16920, which are clearly intended (1) to place additional barriers upon U.S. import trade; (2) to reduce the discretion of the Tariff Commission, while at the same time unduly enlarging the reach of the "escape clause"; and, (3) to hold the President's authority to reduce tariffs to an utter minimum.

PRESIDENTIAL AUTHORITY

The President currently lacks any authority whatsoever to reduce American tariffs. Section 201(b)(1)(B) of the administration bill would grant him a limited authority to reduce duties to 20 percent below the rate in effect on July 1, 1967, or alternatively, an absolute 2 percent drop in any rate in effect at that same time. It has been made clear that such authority would not be used for any general round of tariff negotiations. It would give the President some discretion in the tariff field until mid-1973 and would largely be used to provide tariff compensation to supplying countries in the event U.S. escape prohibited action places greater import restrictions upon their exports to the United States. This is necessary and desirable.

The Mills bill, in section 203(a), would limit the use of the President's authority strictly to cases where the escape clause has been used to apply additional import restrictions. In an uneasy world with the future murky, such a restriction on an already limited flexibility for the President in the tariff area appears unnecessary and undesirable.

AMERICAN SELLING PRICE

Section 401 of the administration bill would eliminate from U.S. tariff laws the archaic system of appraising certain imports (mainly benzenoid chemicals and rubber footwear) on the basis of U.S. market prices for competitive domestic products. This is a nontariff barrier of the worst sort and is inconsistent with article VII2(a) of the GATT. It is only saved from application of the GATT provision by the "grandfather clause" of the protocol of provisional application. To our knowledge, no other country uses this arbitrary valuation method. At this time, when the United States is avidly seeking the dismantling of nontariff barriers abroad, retention of ASP is illogical and self-defeating. It has become a highly visibile symbol of American protectionism, much criticized by trading partners abroad and consequently used by them as justification for their own NTB's. Furthermore, abolition of ASP would create greater export opportunities for the U.S. chemical, automobile, and tobacco industries, as negotiated during the Kennedy round. The Mills bill is silent on this subject. We endorse adoption by the Congress of section 401 of the administration bill.

THE ESCAPE CLAUSE

Section 301 of the administration bill provides for a number of amendments to the industry escape clause provisions of the Trade Expansion Act. The Mills bill, in section 202, proposes even more sweeping changes in the present escape clause provisions. It is generally said that the TEA criteria required to be used in order for import-affected industries to gain relief are too rigid—especially as applied by previous Tariff Commissions. Recently, at least three members of the Tariff Commission have found that the present statutory standards have been met, on rather slim evidence. Nevertheless, we are inclined to agree that some amendment should be made to make clear that relief is available. We are not at all sure, however, that the purpose of the 1962 law has been defeated by overrigid interpretation. Before the Kennedy round, industries had plenty of time to adjust to previous tariff reductions, so we think the Congress really intended in 1962 to tie relief mainly to reductions in the Kennedy round and thereafter.

Generally, we support the administration bill on this matter, although we would propose some changes (to be outlined below). Unequivocally, we oppose the escape clause changes incorporated in the Mills bill.

1. Relationship between tariff concessions and escape clause relief

The TEA requires that the increased imports alleged to be the cause of industry injury be the cause "in major part" of "concessions under trade agreements." Both the Administration bill and the Mills bill eliminate this requirement. This certainly violates both the spirit and the letter of article XIX of the GATT. If tariff concessions are not involved, then what are the industries "escaping" from? Probably increased import competition, but if no recent governmental tariff action is involved, this is one of the facts of life in today's economic world, perhaps calling for adjustment rather than change in governmental foreign trade policy. Under the language of the escape clause in use prior to the TEA, imports had to be "in whole or in part" a result of tariff concessions. In practice, the connection was assumed and not actually examined. We would suggest that the present language be retained, changing the word "major" to "substantial," and that the legislative history make clear that the Tariff Commission shall actually examine the facts.

Furthermore, the increase in imports should be recent and rapidly rising; efficient American companies should be able to react and adjust to gradually increasing competition, whether domestic or foreign and whether caused by technological changes, changes in the market, changes in the market, changes in product demand, or changes in import volume.

2. Cause of injury

To activate escape clause remedies, prior legislation, the TEA, the administration bill, and the Mills bill all require "serious" injury. This is, of course, as it should be. Protection against non-serious injury has no place in U.S. trade legislation. The causation of the serious injury is the point in question. The TEA calls for the increased imports to be "the major factor in causing . . . such injury;" the administration bill would propose "the primary cause of serious injury;" the Mills bill suggests "a substantial cause of such injury . . ." This may seem to be an exercise in semantics but, in the eyes of a conscientious Tariff Commission, such language—or changes in language—can be important. "Major factor" has been interpreted as the cause which exceeds all other causes combined. The "primary cause" of the administration bill has been explained as the single most important cause. The "substantial cause" of the Mills bill has not been clearly defined but we are deeply concerned by the language of proposed section 201 that serious injury "due in any substantial degree to increased imports even though other economic factors are found in equal or greater degree to contribute to such actual or threatened injury" would be sufficient for an injury finding. We are afraid this could mean any cause with more than insignificant effect, or might be so interpreted by the Tariff Commission. This would invite a large number of escape clause actions and could make the escape clause a vehicle for many import restrictions that would not be in consonance with national trade policy. It would throw an undue burden on the President to refuse relief and make the Tariff Commission, which is impartial and somewhat insulate from political pressures, of little value in eliminating the nonmeritorious cases. We would prefer the administration bill's "primary cause" as a reasonable middle ground.

3. Definition of "industry"

With respect to industry escape clause actions, the Trade Expansion Act left to the Tariff Commission the determination of which establistments or production units of the article involved, when combined together, constituted an "industry." For industry actions, the administration bill leaves this undisturbed. This Mills bill, in section 202(e), adds a definition of "domestic industry" which would provide for segments of companies or establishments to be considered as part of an industry for purposes of an injury determination. This would appear to allow divisions of large prosperous corporations, producing the same article, to combine together to obtain escape clause relief on the article, despite the fact that the corporations were doing extremely well and could easily adjust to the import competition, with little or no loss in total sales, employment, or profits. Such an amendment would permit unlimited segmentation of an industry for purposes of arbitrarily carving out that part of the industry that might be injured by imports.

This is altogether out of harmony with the basic concept of adjustment to competition from abroad, since diversification is a major method that is open to an affected firm. Incentive to diversify would be removed. We do not believe the escape clause relief under these circumstances is needed and therefore oppose the additional definition. The Tariff Commission should be allowed to determine, in its own good judgment, the scope of the industry on the facts presented to it, case-by-case, as under persent law.

4. Termination of industry escape clause import restrictions

The Trade Expansion Act provides, in section 251(c)(1)(B), for an automatic termination of import restrictions laid down by escape clause action after four years, unless the President determines they are still necessary under the terms of section 351(c)(2). The administration bill leaves this undisturbed. The Mills bill would eliminate the automatic termination. Since the purpose of this termination provision is to promote the adjustment of the industry to changes in circumstances, such as import competition, we support the administration bill and oppose the Mills bill in this regard. The U.S. economy should be kept up-to-date in an ever-changing world and efforts in this direction should be encouraged—and even forced—instead of permitting industries blandly to depend upon a static status quo.

5. Other proposed escape clause provisions

We oppose most other amendments to the industry escape clause provisions provided for in the Mills bill. Taken together, these amendments may result in major changes in this area. Almost all are inherently protective in nature. The administration bill is far from perfect and does not go very far in the direction of liberal tnade. But, at least, it does not generally represent significant steps in the backward direction.

ADJUSTMENT ASSISTANCE FOR FIRMS AND WORKERS

In the TEA and the Mills bill, the concept of adjustment assistance and the concept of industry escape clause relief seem to be inextricably intertwined, while the administration bill provides a different standard; namely, the "substantial" cause, rather than the "primary" cause of injury required for import relief for an industry. The adjustment provisions are meant to help individual firms and groups of workers to adjust to the specific impact of imports by providing technical assistance to improve productivity, to promote shifts to more remunerative product lines, to assist workers in relocating, and to ease the other inevitable difficulties involved in these processes. In other words, through U.S. governmental help extended internally, they are intended to lift, bit by bit, the level of American economic activity. The industry escape clause is intended to grant whole industries temporary relief from import competition, while the industries can adjust to the new conditions. The latter, however, affects the external policies of the United States and therefore the Nation's posture in the world. This is a serious matter, deserving of great though and a balancing of the national interests involved.

We therefore agree with the administration bill in providing for the continuation of fairly severe standards to be met before industries could be able to obtain import limitations under the escape clause, which limitations would affect the foreign policies of the United States.

On the other hand, we endorse more relaxed standards where individual firms and groups of workers have been injured by rapid growth in competitive imports. This can be ameliorated on a case-by-case basis by internal governmental action, which would not influence the foreign policy of the Nation. We believe the United States must maintain and improve its economic strength; at the same time, it must maintain its position as the political leader of the free world, avoiding where possible actions which tend toward disaffection of our friends abroad.

In this connection, we suggest that a certain amount of mythology has grown up about the intent of the Congress in providing for adjustment assistance to firms and workers. As we recall the deliberations of 1962, there was considerable doubt about that novel concept, and there was a definite desire to limit it to distress which could clearly be traced to the tariff reductions. The times have changed, and it now appears desirable to ameliorate stresses and strains within the economy arising from changes where an increase in imports is a factor. It should be appreciated that a rise in imports is often a result, more than a cause, of trends within the economy, such as the inflation we have been experiencing. In principle, therefore, we are in favor of the concept of adjustment assistance where the need arises, regardless of cause.

LEGISLATED IMPORT QUOTAS ON TEXTILES

Our council is unalterably opposed to congressionally imposed import quotas on textiles and apparel. The proposals for such quotas is prominent in the Mills bill and, indeed, would appear to be the most important feature of the bill. In this connection, I have already asked to have inserted in the record the council's most recently published pamphlet, dated May 1970, and entitled "How Much Would Textile Quotas Cost the United States?". Briefly, these points are made:

1. The U.S. textile and apparel industries, over the past decade,

have shown a healthy growth in production, sales, and profits, despite the admittedly sharp rise in imports.

Bill Gold in this morning's paper discussed Fortune magazine's 500 largest corporations. He had this to say:

"Incidentally, what would you say were the fastest growing independent industries last year? Chemicals? Oil? Auto? Food and drink? Appliances? Electronics? Bah, humbug. They were all under 9 percent in growth. Office machines? Better, that was 13.8 percent. But the performance stars were apparel, with a 20.8-percent increase and tobacco."

I am rather surprised at the latter.

My point here is that there was a 20.8 increase in apparel which outdistanced every other industry in the United States last year in sales performance.

Additionally, annual industry investment in new facilities and modernization has practically doubled from 1961 to 1969—hardly the sign of a sick industry.

2. Textile and apparel industry employment, in the face of growing automation, has risen by about 300,000 workers between 1961 and 1969. This is an employment record of which many other industries would be proud.

3. Imports in these commodity areas in 1969 represented only 8.5 percent of the volume of U.S. consumption of such products. This can hardly be considered a "flood" of imports, even under present circumstances, where the U.S. economy is experiencing a recession.

4. It is unusual for a downturn in general economic activity to be accompanied by price inflation. Yet, this is just what the United States is facing today. The U.S. Government rightly wishes to turn the price inflation around. Yet, any inhibitions on textile imports would raise prices for textile and apparel imports, and this would undoubtedly raise the cost of soft goods to American consumers, especially those in the low-income brackets. While the volume of textile imports is not too significant in the total U.S. consumer market, they do exercise an important restraining influence in certain price categories. This, in our view, should be continued.

5. The effect of mandatory import quotas on textiles upon U.S. exports would be seriously adverse. American export are large and generally, in manufactured products, are the output of highly productive, high-wage industries—aircraft, computers, sophisticated machine tools, etc. American farmers are highly dependent on the export market for sales of a large proportion of many of their products—soybeans, feed grains, wheat, animal byproducts, et cetera. A substantial part of these export earnings would be endangered by unilateral restrictions on textile imports, since many of the best customers abroad for U.S. agricultural products are also producers and exporters of textile and apparel products.

6. Significantly, textile quotas would be most damaging to the economies of the underdeveloped countries, even more than to Japan. The underdeveloped countries of Asia, and to a lesser extent, of Latin America already provide nearly half of the U.S. imports of textiles and apparel, and their percentage of the total is increasing every year. The Commerce Department has estimated that, under the Mills bill, Japan's shipments of manmade fabrics and apparel to the United

States would be reduced by 32 percent, while those of Hong Kong would drop by 40 percent, Korea by 52 percent, and Taiwan by 62 percent. In the case of some smaller Latin American suppliers, their shipments would be reduced by as much as 75 percent to 80 percent. The impact of this sharp reduction in the economies of many underdeveloped countries will probably be severe.

7. Finally, and in summary, the proposed import quotas on textiles and apparel would be enormously costly to the United States. They would: (a) Accelerate inflation, raising clothing prices to consumers; (b) boomerang against U.S. export sales and harm the economies of port cities; (c) could trigger a ruinous trade war; and (d) damage U.S. relations with our closest friends and allies. All this, in our view, is too high a price to pay.

Therefore, we urge that the textiles and apparel problems, which are of great concern to members of this committee, be examined on a sector-by-sector basis, not by comprehensive across-the-board limitations. We are not privy to discussions that have taken place between the United States and the Japanese Governments and therefore do not comment on the possibility that an international agreement can be reached. We do believe very strongly that it was a mistake, if the reasons for some limitations seemed compelling to the U.S. Government, to pound on Japan's door rather than soberly and dispassionately use the established governmental machinery to determine where and how such relief was called for.

LEGISLATED IMPORT QUOTAS ON FOOTWEAR

With respect to the footwear quota section of the Mills bill, we were glad to hear from administration spokesmen that they do not find that there is a case for quotas. We await with interest more information with respect to the report of the President's task force on this subject. We would argue very strongly that it is a mistake to examinea vast industry-like footwear, with almost 1,000 establishments and a multitude of products, as a single entity. If there are some firms in the industry that are affected by increased imports to such an extent that they cannot adjust by themselves, then adjustment assistance would be in order. Recent Tariff Commission decisions indicate that relief is by no means precluded under the present law and would be available under the proposed amendments in the administration bill.

Although more footwear entered the United States from Japan last year than from any other country, this is not a major issue in U.S. joint economic relations for two reasons: First, the footwear that is imported from the Far East is almost all low priced, vinyl-upper footwear that is sold in mass-distribution outlets in limited sizes at prices well below those of any U.S. made shoes. The Tariff Commission's Report of December 1969, brings this out very clearly. These products are of great value for the millions of people in the United States with low incomes, and they displace very few sales of leather shoes which are in much higher price brackets.

The second reason is that such imports from Japan are not increasing. Japan, with its booming economy, is rapidly being priced out of the high-labor products, and the importers of these goods are shifting to other Far Eastern sources, notably Taiwan. Thus, the drastic quota system of the Mills bill, if it were adopted without regard to specific categories, would reduce imports from Japan by 4 percent and imports from Taiwan by 54 percent.

This is a good example of two facts which have been obscured by emphasis on past events. One is that the future of United States-Japan trade in manufactures inevitably rests in the more sophisticated products—on both sides—and the other is that the most serious question of U.S. foreign economic policy which is posed by quotas on such light manufactures as textiles, apparel, and footwear, is how we are to keep U.S. doors open to the products of the developing nations.

THE ECONOMIC FALLACIES OF QUOTAS

The essential issue at stake is whether to make a modest move forward in the direction of further international trade liberalization, as provided by the Administration's Trace Act of 1969, or whether to take a costly, unwise, and unnecessary backward step as provided by the various quota bills now pending before the committee. What the Congress must decide is whether the granting of special benefits to that small number of Americans adversely affected by imports is worth the much greater price of quotas, namely an artificial retardation of the most efficient utilization of the resources of this country. Only the free play of competitive market forces can assure the continued movement toward efficient production and an equally steady de-emphasis on production of those goods which are relatively costly to produce domestically. As a report of the Joint Economic Committee said in 1969, the ultimate goal of economic activity in the United States is a maximization of its citizens' real incomes. To preserve the status quo is to freeze people in relatively low-paying inefficient labor intensive industries, at a cost to every consumer in this country. We support the escape clause and adjustment assistance program because they provide the necessary cushion for the social costs and consequences of an upward shift in domestic production to more efficient industries.

Jobs can be protected and trade balances can be improved by import controls. But, the more positive and economically preferable way to achieve these ends is to construct a better transition process for affected workers and to make a concerted effort to raise exports.

Moreover, we believe it is inadvisable to legislate quotas prior to the issuance of the final report of the President's soon-to-be formed commission on International Trade and Investment Policies. The most important difference between today and 1962 when the Trade Expansion Act was passed is the speed of change in the dynamics of international economic competitiveness. It is already a cliche to say that more must be learned about the impact of foreign investments on traditional trade flows. The report should provide valuable insights and data.

Current economic data—see the following table—show no justification for the assertion that the rate of increase in imports into this country must be stabilized by quantitative factors. The growth of increased unemployment and the growth of imports are inversely related. Additionally, the data show a transition within the labor force away from manufacturing toward the services sector. Imports are useful catalysts in this healthy process. Control of inflation and continued increases in productivity are policies which will assure not only domestic economic stability for the United States but a healthy position as an international competitor as well.

It has been asserted that a get-tough trade policy by the United States is the only way to obtain concessions from its trading partners. But, if legislative quotas were adopted pursuant to such a policy, they would most likely linger on far beyond the circumstances which inspired their creation. Moreover, unilateral implementation of trade restraints by the United States will only invite retaliation. Today, almost all of this country's trading partners have legitimate grievances, and it is improbable that they would overlook new curbs on their sales to the United States. The net result would be impediments on exports.

To keep the United States' trade statistics in perspective, I would recommend three things. First, exports have been increasing at a healthy rate, especially in view of the consequences of inflation on our international competitive position. Second, the most consistently growing entry on the asset side of our balance of payments is remitted earnings from foreign direct investments, which amounted to $5.7 billion in 1969. The implications of the multinational corporation to traditional theories of trade are an important but, at present, imperfectly understood feature of current trade policy. Finally, imports will probably continue to increase in the absence of domestic price stability, but pose a direct challenge to an extremely small portion of this country's total economy. Total imports, including those which are not fully competitive with domestic production, are less than 4 percent of GNP.

Although imports have a relatively small impact on jobs, their very availability allows imports to exert a modifying influence on domestic prices disproportionate to their relative importance as a source of domestic consumption.

There can be only one solution, to keep the U.S. economy strong, expanding, and mobile. If we do this, we do not need protectionism; and if we fail, we are just fighting among ourselves, in the United States, on how to divide too small a pie.

SELECTED ECONOMIC DATA

1. Unemployment comparisons

		Percent of unemployed
End of year:		
1961	6.7	50 percent decrease.
1969	3.2	

2. Total labor force (in millions)

1961	74	15 percent gain.
1969	85	

3. Composition of nonagricultural work force (in millions)

Manufacturing industries:	
1947	18.5
1961	19.8
1969	24.1
Service industries:	
1947	25.4
1961	34.2
1969	46.0

4. Services as percent of gross national product
   1950=31.5
   1969=40.5

5. International monetary reserves of United States (gold, IMF, etc.)

	Billions
1962	$17.2
1969	17.0

1. Japan's residual import restrictions

In June of 1960, the Japanese Government decided to liberalize its trade policy by dismantling foreign exchange restrictions on imports. A comprehensive program of liberalization was adopted, to be done in such a manner as to minimize abrupt shocks to domestic producers who had been previously sheltered from foreign competition. This program since has been carried on at a steady pace. While only 42 percent of Japan's import trade was free from exchange restrictions at the time the program was adopted, import items which comprise 94 percent of Japan's imports—in 1959 by value—are today free of controls.

To date Japan has liberalized all but 98 items out of 1,096 four-digit items provided by the Brussells Tariff nomenclature. The Japanese Government has decided to reduce this list to 80 items by the end of 1970 and to 60 by the end of 1971. The 60 items for which Japan has to formulate a program for further liberalization include 45 agricultural items and 15 industrial items. These 15 industrial items are: steam turbines, one item; digital computers, five items; electronic telephone boards, one item; integrated circuits, one item; starch and glues, two items; peppermint oil, one item; and leather products, four items. It should be noted that the existence of import controls does not mean that access to the market is denied. For instance, over 30 percent of the computers in use in Japan are of U.S. origin.

The Japanese Government has accelerated its tempo of liberalization in the past half year. It liberalized 22 items during the 6 months between October 1969 and April 1970.

Friendly persuasion by U.S. officials and private Japanese business leaders share a part of the credit for this. But there are intrinsic forces urging liberalization within the Japanese economy. Japanese economic leaders have in mind the goal to catchup with Western economies, not only in total size, where Japan is already second in the free world, but also in the rank of per capita income. In trying to achieve this goal, it is necessary for Japan to shift resources from the sectors with lower productivity to those with higher productivity. The best way to realize this is further liberalization and introduction of competition from abroad. This inner need for liberalization within the economy assures a steady move toward further liberalization.

The Japanese Government has decided to accelerate the final stage of Kennedy round tariff cuts by 9 to 12 months. The acceleration applies to all 2,147 items on which Japan agreed to cut tariffs in the Kennedy round. The final cut was to be carried out on January 1, 1972, but now will go into effect either on January 1, or April 1, 1971. This move is expected to have the effect of increasing imports by $400 to $500 million in that year.

The Government also decided to freely allow imports of the 98 currently restricted items up to 2 percent of domestic consumption. This measure, which will shortly be put into effect, will increase imports of meat, biscuits, chocolate, fish, ham, bacon, sausage, butter, cheese, and fruit juices.

As a majority of the currently restricted items, 63 out of 98, are agricultural, this measure will help to curb food price increases, providing that importers, wholesalers, and retailers transmit some of their cost savings to consumers.

It is ironic to hear so much criticism of Japan's import restrictions, when U.S. exports to Japan have increased more than to any other country, rising almost threefold between 1960 and 1969. On an annual per capita basis, every Japanese in 1969 consumed $34 of American production, while every American consumed only $25 of Japanese production. If the income differential between Americans and Japanese is considered, the excess of Japanese consumption of U.S. products is an even more striking figure.

After being limited for a long time by the need to save precious foreign exchange for importing vitally needed food, fuels, lumber, coking coal, and other raw materials, the Japanese realized in the sixties that they could finally afford more and more imports in other product areas. "Restrictionism" is no longer an accurate characterization of Japanese import policies.

2. Japan's trade surplus

It has been pointed out that Japan had a $1.4 billion trade surplus with the United States in 1969 and Japan's balance with the entire world amounted to $3.8 billion in the same year. But it is not generally realized that Japan had record deficit in services—I am talking now about invisible trade—amounting to $1,382 million: Transportation, $872 million; royalties, $302 million; etc. Japan's foreign exchange reserves are $3.8 billion, and still amount to less than one-fourth of its annual import requirements, which are rising at an annual rate of 15 percent. This year Japan's imports increased about 30 percent in January over the same month in 1969. In following months, this figure went up to 27.3, 33.2, and 31.8 percent. This trend will continue as the domestic market grows at a rapid rate.

Japan's anxiety about keeping a reasonable foreign exchange reserves position is based upon its almost total lack of natural resources. Market fluctuations abroad resulting in a sudden shrinkage of exports or price increases in primary products could seriously damage Japan's ability to produce raw materials needed not only for industry but for the maintenance of life—food, textiles, electricity, gas, et cetera. An official study shows Japanese dependency on imports of principal resources as follows:

	1968 (percent)	1975 estimate (percent)
Copper	73.4	92.9
Lead	56.5	55.6
Zinc	53.8	61.6
Aluminum	100.0	100.0
Nickel	100.0	100.0
Iron ore	84.7	90.0
Coking coal	71.9	85.9
Oil	99.5	99.7
Natural gas	0	73.6
Uranium	100.0	100.0
Lumber and logs	46.7	58.0

Japan's foreign exchange holdings are concentrated in the Ministry of Finance, with private holdings very small. In Europe private holdings of foreign assets, liquid and fixed, are huge. Ailing Britain

46-127 O—70—pt. 4——8

has private overseas assets of about $20 billion and the United States has more than thrice this amount, while Japan's overseas assets are less than $2 billion. A certain amount of trade surplus is necessary for Japan. Otherwise, it cannot attain the status of either an investor or an aid-giving country. If Japan's trade balance were always in equilibruim, it would not be able to pay past debts, aid obligations, licensing fees, transportation charges, and overseas dividends. Japan has to pay GARIOA and EROA loans to the United States, Exim-bank loans, World Bank loans, dividends to U.S. investors, royalties to U.S. licensors, and also pay for increasing tourist account deficits.

3. Voluntary exports restraints and European discrimination

Japan currently restricts voluntarily its exports of 73 items to the United States, representing a product range including 40 percent of its exports. This is all in Brussels nomenclature and this includes 39 items in cotton textiles, 17 items in steel, and 17 items in other commodities. Largely because of its steel restraints, Japan's exports to the United States of steel mill products in 1969 dropped by 14 percent in net tons from the previous year. While similar arrangements are in effect vis-a-vis other countries, the number and importance of voluntary export restraints to the United States far exceed the others. If U.S. pressure to extend restraints to man-made and woolen textiles is successful, the total number of items under restraint to the United States may reach 100, again in Brussels nomenclature.

The existence of these voluntary restrictions on Japanese exports to the United States and other countries has always been a psychological deterrent to liberalization of Japanese imports. Another deterrent to more rapid liberalization is European discrimination against Japanese products. In addition to their own general residual import restrictions, France, Italy, West Germany, Benelux, and the United Kingdom maintain discriminatory restrictions aimed solely at Japan on from 20 to 60 items, including textiles, ceramics, leather goods, binoculars, footwear, sewing machines, and cameras. Japan is the only member of OECD singled out for trade discrimination by almost all the European countries. In response to calls for initiatives by Japan toward trade liberalization, some have asked why the country most discriminated against should exert leadership toward liberal trade. Fortunately, this view is apparently diminishing.

Also, European countries are now talking more negotiable positions on this issue in discussions with Japan. France and Italy agreed early this year to reduce their current discriminatory regulations. The United Kingdom is offering Japan a reduction of the voluntary restraints on Japanese exports to that country in exchange for removal by Japan of restrictions on certain items in which British exporters are interested.

Japanese have increasing concern about events on this side of the Pacific. U.S. demands for textile restraints loom large in their eyes, and they are wondering whether such moves imply a tide of new restrictions.

4. Other nontariff barriers

The United States and Japanese Governments have exchanged lists of nontariff barriers which each would like to see abolished by the other. The United States listed 17 items while Japan cited 21.

Virtually all of the U.S. barriers would require congressional action to eliminate them. Nontariff barriers in third countries, notably in Europe, are a common concern of both nations. The border tax adjustment system in the EEC is the most important of these. Although border taxes are legitimate under current GATT rules, which permit such adjustments on indirect taxes, arbitrary changes in the level of border taxes clearly have a distorting effect on trade. The United States and Japan, each chiefly dependent on direct taxation for revenue, are both adversely affected.

5. Capital liberalization

Japan is on a steady course of liberalization in the field of capital investment. The current objective is to liberalize as quickly as possible up to automatic authorization of 50 percent foreign participation. So far, this type of liberalization covers 160 categories out of about 600 categories. The liberalized categories include television, textile machinery, telephones, watches, trains, pharmaceuticals, records, et cetera. One hundred percent foreign participation is automatically allowed in 44 categories so far, including steel, motorcycles, cement, cotton spinning, pianos, organs, radios, shipbuilding, et cetera.

The third round of liberalization is generally expected to include about 200 categories.

The fourth round of liberalization is now officially set for March 1972, but since the liberalization of automobile manufacturing investments has been accelerated to October 1971, or earlier, it is likely that the entire fourth round will be carried out at that time. The fourth round will liberalize all but a few of the remaining categories. Only a very limited number of categories will remain under restriction, such as: (*a*) defense-related and nuclear industries; (*b*) agriculture, mining, and real estate; (*c*) public utilities; and (*d*) computer manufacturing industries.

It should be noted that the nonliberalization of a category does not rule out the possibility of foreign direct investment. It means that a project in that category is subject to a case-by-case examination of its merits and demerits for the Japanese economy. Even under present restrictions, there are already in Japan more than 700 foreign subsidiaries, branch offices, and joint ventures with foreign share ownership of 20 percent or more.

You raised the question about whether the Chase Manhattan Bank was able to have a branch in Tokyo, just as the Bank of Tokyo is able to have a branch in California. I can say in Japan there exist today, and I think they are doing very well, approximately 14 branches of American banks. National City was the first one to get there. But now there are between 10 and 14 branches of American banks permitted to operate in Japan.

Immediately after the fourth round, which will complete liberalization in the sense of 50 percent foreign share ownership, the Japanese Government will consider widening the scope of 100 percent foreign share ownership in existing enterprises. Potential U.S. investors in Japan argue that a 50–50 arrangement should be the result of a free choice between the parties, not one imposed by the Government. A special factor here is the financial structure of Japanese firms, which are twice as dependent on outside loans as U.S. firms. Companies with small equity capital tend to be easy prey for takeover bidders.

It is worth noting that, at the same time the U.S. Government is insisting that Japan liberalize its foreign investment policies, it is also applying strict controls over U.S. direct investment abroad. The dichotomy between these two policies is obvious—and somewhat amusing. It is hoped that in due time, this contradiction will terminate and that full investment liberalization by Japan will coincide with the cessation of U.S. restrictions on direct investment abroad.

CONCLUSION

In conclusion, Mr. Chairman, we have all of us heard of the trade and investment issues which lie between the United States and Japan. In my opinion, these issues are indeed real and indeed important, but they are not as important as the common bonds and shared interests of the two countries. An open and candid discussion of these issues and interests can only be helpful. I appreciate the opportunity which this committee has given me to engage in such a discussion.

(The pamphlet referred to follows:)

How Much Would Textile Quotas Cost the United States?

How Much Would Textile Quotas Cost the United States?

To enact textile quotas would be one of the most expensive policy decisions the United States could make.

No single issue so damages U.S. ties with so many foreign countries. For over a year the larger interests of U.S. policy toward Japan have been imperilled by our insistence that the Japanese "voluntarily" limit their textile shipments to us. This procedure constitutes an end run around normal U.S. decision-making machinery in the trade field, which properly depends on expert deliberation by qualified agencies such as the Tariff Commission. It also amounts to the unfair exportation of a U.S. political problem.

Not only are relations with Japan threatened by textile quotas, but also those with over 20 of our closest friends and allies in Europe and in the underdeveloped world.

Moreover, textile quotas would be clearly inflationary, causing a rise of 15% to 25% in clothing prices, according to a respected retailers' association.

They would also boomerang against the United States' $37 billion exports, adversely affecting overseas sales of U.S. farm products, machinery, aircraft, autos, electrical equipment, chemical products, and many others.

Unilateral quota restrictions would trigger counter-restrictions abroad, and no one can say whether the growing "textile war" could be stopped short of a general "trade war" which would be enormously costly to the United States and its trading partners.

Few Americans are aware of these costs.

Nor are many aware that the alleged "flood" of textile and apparel imports amounts to only 8.5% of U.S. consumption of these products in bulk and 4.2% in dollar value. It comes as a surprise to most Americans, moreover, to learn that the domestic textile and apparel industries—while demanding quota "protection"—have been enjoying record sales, profits and new investments, as well as a high level of employment, as shown in 1969 statistics from U.S. government sources.

Before the United States proceeds further down the road toward textile quotas, there is urgent need for a dispassionate and responsible weighing of the probable costs and benefits of such quotas.

Textile Industry's Sales, Profits, Investment Show Healthy Rise

Very few foreign countries or domestic organizations would oppose substantial restrictions on textile imports if there were objective evidence that the domestic textile and apparel industry were seriously endangered by imports.

They are not.

Both industries are generally in very healthy shape, as amply shown by U.S. government statistics. From 1961 through 1969—the period in which imports are alleged to have become a devastating "flood" to the domestic industry—these statistics reveal an impressive record of rising sales, profits and new investment.

Textile and apparel sales, as reported by the Federal Trade Commission, are:

	1961	1968	1969
Textile industry sales (billions)	$13.4	$20.8	$21.8
Apparel industry sales (billions)	$12.3	$20.0	$22.7
Total	$27.7	$40.8	$44.5

These impressive gains hardly reflect an industry threatened with "dismantlement," a term often used by quota protagonists to describe the danger facing the textile industry.

During this same period, profits of these industries rose even more rapidly, according to the Securities and Exchange Commission:

	1961	1968	1969
Textile industry profits (millions)	$589	$1,276	$1,245
Apparel industry profits (millions)	$331	$ 856	$ 953
Total	$920	$2,132	$2,198

In sum, profits of the textile industry have more than doubled since 1961, while those of the apparel industry have nearly tripled. Such impressive growth of profits is hardly the mark of a beleaguered industry.

Another revealing index of the health of the industry is that of the level of annual investment in new plant and equipment, which the Department of Commerce reports as:

	1961	1968	1969
New investment, textile industry (millions)	$330	$530	$630

It is not likely that investors would sink hundreds of millions of dollars annually in an industry threatened with "dismantlement."

Employment Holds at High Level Despite Business Slump, Automation

Nor is there convincing evidence of any serious, long-term threat of unemployment in the textile and apparel industries.

Employment rose substantially from 1961 through 1968, despite rapid automation made possible by heavy new investment. It has declined only fractionally since that time.

Despite the general business slump since mid-1969, as well as a cut-back in defense-related orders, plus continued automation, total jobs in the textile and apparel industries have dropped only about 20,000 from the record 1968 level of 2,400,000, as shown by figures from the U.S. Department of Labor.

	1961	1968	1969	1st Quarter 1970
Textile employment	893,400	990,600	987,200	974,000
Apparel employment	1,214,000	1,407,900	1,417,500	1,407,000
Total	2,107,400	2,398,500	2,404,700	2,381,000

Against a background of general business decline, reduced war-related orders, and high level of automation, this fractional decline can scarcely be called alarming, nor is there evidence that imports are responsible for any substantial portion of this slight drop.

Textile Industry Not in Danger, Despite Emotional Claims

In sum, the textile and apparel industries showed very impressive growth of their sales, profits, new investment and employment from 1961 through 1968.

Sales continued to rise through 1969, while profits of the textile industry remained at nearly their record 1968 level, and apparel profits soared even higher.

New investment hit its highest peak in history in 1969.

Employment shaded off only fractionally in 1969 and early 1970, but remained very buoyant for a time of business decline and high rate of automation.

It is difficult for responsible persons, armed with these U.S. government statistics, to conclude that either the textile or the apparel industry is in any general economic danger, despite emotional claims to the contrary.

Certainly there is a striking lack of objective evidence that there is a threat which warrants damaging U.S. relations with over 20 foreign countries, plus pouring fuel on inflation, plus threatening a wide range of U.S. export sales.

Yet this is the sobering prospect now facing the United States.

The "Flood" of Imports: 8.5% of Domestic Consumption

Protagonists of textile quotas seldom refer to imports except as a "flood," which suggests that they have swamped a great part of the domestic market.

This is simply not so.

Only 8.5% of textiles and textile products (including apparel) consumed in the U.S. in 1969 came from abroad, measured in bulk (pounds).* In terms of their dollar value. imports accounted for only 4.2% of the U.S. market.

This basic fact puts the entire debate into a realistic perspective: we are talking about a small fraction of the U.S. textile market.

Much of the clamor for quota restrictions is directed at imports of synthetic textiles and clothing made from synthetics. Yet these imports supply only 5.5% of U.S. consumption in bulk and less than 3% in dollar value.

In sum, imports from a total of some 36 foreign countries are very small fry in the U.S. market.

But it is true, as the American Retail Federation points out, that even this small amount of imports represents an important brake on inflation of U.S. prices.

Textile Quotas Would Spur Inflation

There is no doubt that textile quotas would accelerate inflation.

At a time when inflation is far from subdued, any governmental act which spurs further price rises is difficult to defend as responsible public policy.

Textile quotas would cause a 15% to 25% rise in clothing prices, says the respected National Retail Merchants Association, which represents hundreds of department stores and retail shops. The NMRA, which speaks from sophisticated knowledge of the textile and apparel industries, says such quotas would be "devastating for the American consumer." Moreover, its prognosis is supported by U.S. experience with quotas in other commodities.

Oil import quotas now cost American consumers some $5 billion annually, or about $100 a year for a family of four, according to a presidential study commission. Likewise, in-

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* based on U.S. Department of Commerce figures.

auguration of "voluntary" quotas on steel imports in Jan. 1969 was promptly followed by the sharpest rise in steel prices in ten years, triggering further inflation throughout the economy.

Textile quotas would do the same. In addition to retailers, the League of Women Voters states:

"Further limitations on textiles would benefit only one special interest rather than the general public interest. . . . It is frequently overlooked that it is the American consumer who has most to lose from further limitations on imports. Prices will go up and inflation, already a serious problem in this country, will increase."

The *Wall Street Journal* warns:

"Increased restrictions of imports, with consequent upward pressure on domestic prices, is almost the last thing the inflation-ridden economy needs right now."

Moreover, trade restrictions "would have the greatest effect on families hard pressed to stretch the budget dollar," says the American Retail Federation, which adds: "It would particularly hurt our largest consumers of apparel and footwear—young families with growing children. But the hardest hit of all would be low income groups struggling to maintain marginal standards of living . . . Imports make it possible for these families to clothe themselves decently . . . at prices they can afford."

Textile quotas would be tantamount to a hidden public subsidy to a profitable industry, paid for by unwilling and unconsulted consumers in the form of higher prices. Worse yet, the poorest consumers would pay the highest price for such special-interest legislation.

U.S. Exports Would be Hit by Textile Quotas

The United States exported over $37 billion of its products in 1969. This is big business, and of great importance to hundreds of industries throughout the country. An estimated three million jobs in the nation have been created by overseas demand for U.S. products—which our trading partners can only pay for if they sell their own products to us.

Textile quotas would strike directly at these export sales, notably in such industries as machinery, aircraft, autos, electrical equipment, coal, chemicals, and scientific instruments. And they would be a heavy blow to farmers in some 26 states.

In an average year, about 50% of the U.S. wheat and cotton crop are dependent on foreign sales, as is 45% of our soybeans, 60% of rice, 35% of tobacco, and about 30% of marketed feed grains: all told, some $6 billion of farm exports. Growers of these crops, and states where they are grown, stand to lose heavily.

"Farmers would lose substantial foreign sales and income if textile quotas are enacted", says the Master of the National Grange, John Scott. "Farmers can ill afford to pay such a steep price to increase the profits of the profitable textile industry."

Contraction of foreign trade would also hit more than 50 port cities from Maine to Maryland to South Carolina to Louisiana to California to Washington. These ports are heavily dependent on foreign trade for their prosperity.

U.S. Relations with Numerous Countries Endangered

Not since World War II have U.S. relations with so many countries been so damaged by a single issue as that of textile quotas. Yet few Americans realize how serious the threat has become nor how many nations are involved.

In a period of little over a year, the U.S. drive for textile quotas has incurred the concern and resentment of Japan, most of the nations of Western Europe, and well over a dozen underdeveloped countries—all of whom consider U.S. pressure for textile quotas as totally unjustifiable on any objective economic grounds.

Reporting from Japan, the *Chicago Daily News* says: "Already, the 'textile war' has produced the most serious strains between Tokyo and Washington in many years". Nor is the damage limited to Japan. Much the same reaction obtains in Europe. After a high U.S. official visited European capitals to press for textile quotas last year, the result was "nothing less than a diplomatic disaster", reported the *Washington Post* from Brussels.

Though Japan and Europe are greatly concerned, the heaviest impact textile quotas would fall on the underdeveloped countries of Asia and (to a lesser degree) Latin America.

And they, understandably, are the most concerned and—in some cases—embittered.

The importance of textile quotas to these poor countries is summed up by nationally-syndicated columnist Bruce Biossat in these terms:

"Lost from sight amid the publicized battle between the United States and Japan over textile imports is the grave peril the hardening American position for quotas may pose for nearly a score of developing nations which count on textile trade with us.

"Commerce Department figures for 1969 show that of our textile imports almost exactly half come from the underdeveloped lands, mostly in Asia, while Japan supplies a quarter and Western Europe the remaining one-fourth.

"Among our Asian suppliers aside from Japan, the biggest are Korea, Taiwan, India, Pakistan, the Philippines, Malaysia, Singapore and Hongkong. In all these cases the trade is important, and in some it is absolutely vital to the stability of their economies.

"The issue is made more acute by the fact that U.S. foreign aid to the developing countries in Asia and elsewhere is shrinking to its lowest level in 20 years.

"They need trade for offsetting growth, and in more than a few such nations nearly all hope resides in low-technology, high-labor content manufactures like textiles and shoes.

". . . no quota system could cut deep without striking at them (the developing lands)."

36 Foreign Nations Would be Affected by Textile Quotas

It is illuminating to study the list of the 36 countries which supply textiles and textile products to the United States. Though they furnish only 8.5% of the U.S. market, these sales are very important to them.

Countries supplying the U.S. with large amounts of textiles (over 50 million square yards annually) include: Mexico, Canada, Belgium, Italy, United Kingdom, West Germany, India, Pakistan, the Philippines, Taiwan, Korea, Hongkong and Japan.

Those supplying substantial amounts (over 25 million square yards annually) are: Brazil, Colombia, France, Ireland, the Netherlands, Portugal, Spain, Switzerland, Israel, Egypt, and Singapore.

Smaller suppliers, but for many of whom textiles are an important part of their manufactured exports, include: Uruguay, Jamaica, Costa Rica, Barbados, Haiti, Trinidad, Austria, Rumania, Poland, Yugoslavia, Australia and Malaysia.

These 36 countries are all involved in the growing threat of a "textile war". None are known to believe that U.S. textile quotas are justified. Many are vocally and strongly opposed, while the smaller countries tend to be prudently silent but privately concerned.

The large number of countries involved also suggests the formidable difficulty and cost of administering quotas from so many sources, covering a wide range of textile products from an enormous number of individual manufacturers. The cost would be predictably large to establish and run the sizable bureaucracy required. It would also be considerable to U.S. retailers, whose operations would be greatly complicated by quota requirements.

But the greatest cost of all would lie in the damage to friendly U.S. ties with these countries. That cost is already considerable. And if "voluntary" or mandatory quotas are rammed down their throats, against their universal disapproval, the results can only be immensely damaging to the United States.

Textile Quotas Could Begin Slide to a Trade War

Not the least of the dangers of textile quotas is that they would open a Pandora's box which could easily degenerate into a trade war—as ruinous for the United States as for its trading partners.

It is already known that numerous textile exporting countries are prepared to enact counter-restrictions of their own against U.S. products if the U.S. imposes unilateral textile quotas. These will probably be aimed at first at U.S. exports of soybeans, cotton, feed grains, wheat, machinery, and electrical equipment, but will probably not be limited to these products.

This could easily generate a climate in Congress for expanding U.S. quota restrictions to include shoes, electronic products, metals, meat, and a wide variety of consumer products. And a new round of counter-restrictions abroad would then be leveled against an ever-widening range of U.S. exports.

This way lies disaster for the United States and for its closest friends and allies. The eventual cost of such self-destructive folly could be the economic health and the security of a great part of the non-Communist world.

Textile Quotas Would Have Slight Benefit but Very High Cost

In sum, proposed textile quotas would be enormously costly to the United States.

- Quotas would accelerate inflation, raising clothing prices to consumers.
- They would boomerang against U.S. export sales and harm the economies of port cities.
- Textile quotas could trigger a ruinous trade war.
- They have already damaged U.S. relations with our closest friends and allies, and now threaten to do even more serious harm.

Such a high price could only be justified if there were objective evidence of massive danger to the U.S. textile industry.

No such evidence exists.

On the contrary, U.S. statistics show that both the textile and apparel industries have enjoyed impressive gains in sales, profits, investment and employment for eight years. Their position has not been seriously affected by the current business decline.

For such a generally prosperous industry, imports at a level of 8.5% of domestic consumption in volume and 4.2% in dollar value are patently not a serious threat.

The only visible benefit of textile quotas would be to increase the profits of an already profitable industry, plus some marginal stimulus to employment in the textile industry.

In any responsible weighing of the national interest, and that of 99% of the population, this is a very small benefit.

But the cost of textile quotas would be indefensibly high. And it would be borne by the entire country for years to come.

May, 1970

The CHAIRMAN. We appreciate very much, Mr. Stitt, your bringing to us a very fine paper.

I want to thank you and tell the members of the committee about how you worked so hard with some of us a year or so ago to accomplish what I thought was an important elimination of an irritant that was arising through the arrangement of voluntary controls of steel imports from both the West, Japan, and the European Common Market.

Mr. STITT. Can I inject a point there? I did work with the Japanese but, with the problems of antitrust that might be involved, I didn't work with Europe.

The CHAIRMAN. No, you didn't work with Europe.

Mr. STITT. No, I worked with the Japanese.

The CHAIRMAN. You worked with the manufacturers of steel in Japan.

Mr. STITT. Yes, sir.

The CHAIRMAN. None of us worked with the Japanese Government.

Mr. STITT. That is right.

The CHAIRMAN. Our Government didn't do that.

Mr. STITT. The Japanese Government didn't entirely agree with the arrangement.

The CHAIRMAN. I know. That arrangement was for 3 years.

Mr. STITT. Yes, sir.

The Chairman. Will it just be a 3-year arrangement or do you think it will be extended?

Mr. STITT. This, Mr. Mills, has to be a personal opinion.

The CHAIRMAN. I know it. I want your personal opinion.

Mr. STITT. My personal opinion is that it will be extended for some period.

The CHAIRMAN. I am glad to hear that, because had you said no——

Mr. STITT. Remember, this is a personal opinion.

The CHAIRMAN. Yes, I understand. But had you said no, there would have been another flock of people down here wanting a quota. You know that.

Mr. STITT. Yes, sir.

The CHAIRMAN. You realize, of course, as an attorney more than most people around, because you have been here a long time, and you have dealt with the Congress, how the Congress itself reacts, too, to the pressures that are constantly on the Congress for some course of action. I have been telling some of our friends about these developments for some time.

I agree with you that it isn't good to write quota legislation. I don't like it. I don't like voluntary quotas. But I don't like to see one of our own industries, whatever that industry is, lose its position in the United States and not be able to grow as increased consumption grows in the United States. I must admit that the importation of textiles is not as great, percentagewise, as many of the other items that I can describe. There is some unemployment in the textile industry, so the Department of Commerce tells us, between April of this year and April of last year.

I believe they said there were 53,000 fewer jobs. What do you do about a thing like that when it happens? We all have these people as constituents. They vote for me if I do them right and they vote against me if I do them wrong. It is the same with all of us.

What do you do about a situation like that?

Mr. STITT. I have two answers, sir. First, speaking as an economist rather than as a political person, I think that the textile industry is one of the low-paid industries in the country.

The CHAIRMAN. Yes.

Mr. STITT. I think our unemployment level has not yet reached alarming proportions, and I think, as an economist, that the shift from low income industry to high income industry is to be encouraged.

The CHAIRMAN. I know it is fine to talk like that as an economist, but it is very hard for people involved to have to hear it.

Mr. STITT. Now speaking as a pragmatic politician——

The CHAIRMAN. And I can understand you better.

Mr. STITT (continuing). I have prepared a statement on the textile issue, sir, outside my regular statement because I thought this question might arise.

Much has been said about the textile issue during these hearings. First, let me define some terms. The entire question as it has been put to the Japanese by the U.S. negotiators seems to be a political question rather than an economic question.

The U.S. administration has tried to make an end run around the normal statutory procedures for injury determinations and has insisted that foreign governments agree to limit their shipments on an across-the-board, comprehensive basis.

Japan, after suggesting use of the GATT escape clause, article XIX, and declining to discuss the question in other terms, has since come a long way toward accepting a negotiated solution. But in my opinion the United States has not compromised significantly since the talks began. Therefore, the current impasse exists. Japan's major objections to the U.S. proposals in that they have been comprehensive and do not contain any proof-of-injury feature. In view of the official U.S. Government statistics indicating prosperity in the U.S. textile industry as a whole—and I have the figures if you would like to have them, sir—the Japanese Government cannot justify to its textile industry and its own people the need for comprehensive across-the-board export controls or even for semicomprehensive controls subject to a trigger formula on the products excluded from the semicomprehensive control.

There is such a thing as politics in Japan, too, sir. Their textile industry is just about as tough as ours.

Thus, a more selective approach, with a clause for proof of injury, would be a better basis for negotiation.

My own opinion is that if the United States were to propose a selective plan with a proof-of-injury factor, a textile agreement could quickly be negotiated.

The domestic textile industry has exerted tremendous pressure, as you know better, perhaps, than anyone else. The result has been a U.S. position of all or nothing in negotiations. It sometimes seems that the entire approach is calculated to invite the Congress to legislate quotas. If there is no negotiation, and the pressure for quotas becomes difficult to control, I hope you and the other members will realize that the situation has been occasioned by the rigidity of the U.S. negotiating position rather than by a reluctance on the part of Japan to negotiate on fair and reasonable terms.

I would suggest that before you take a step as drastic as legislating quotas—the Mills bill—and if at the time you mark up this bill a voluntary agreement is not reached, you follow two actions: One, direct the U.S. Tariff Commission or some other objective body to make an investigation of sectors of the industry that claim injury. I, myself, would be inclined to agree with you, sir, that men's shirts is one of the sectors of the industry that may well have an excellent claim, either before the Tariff Commission or anybody else, for some temporary remedy against the increasing imports.

Or, two, direct the U.S. negotiators to propose selective controls following some viable proof of injury to industry segments.

I think that an agreement would soon be forthcoming if such a proposal were made.

I want to make two comments about quota legislation of the type proposed in H.R. 16920.

First, the major loser would be American consumers, especially those in the lower income brackets, because, with the competitive effect of imports removed, their prices will rise and in the process the entire inflationary spiral will be stimulated.

Second, if provisions of H.R. 16920 were enacted, there is no assurance that there would be any greater incentive for Japan or any other nation to enter into voluntary agreements. The reason for this is that foreign nations might choose to have the United States establish a unilateral quota under which circumstances the foreign nation would be eligible for compensation under the GATT, and such compensation could only do harm to our higher income, highly productive, export industries.

The CHAIRMAN. The low-income consumer is going to be the loser if we enact the bill, and there are those who tell us that if we don't enact the bill the low-income people are going to be the losers, too. You must bear in mind that it is the high-labor-content industries in the United States that are having the problems.

The shoe industry doesn't have a very good record of wage payments to its employees in the United States. They are low-paid employees. Most of the textile industry, compared to other industries in the United States, is low-paid industry.

Most of these operations are in what we call the Appalachian areas of the United States, where there is underemployment to begin with, or unemployment to begin with. Most of the shoe plants in the country operate 300 to 500 employees and they are scattered around in practically every little county seat and town in my district and everywhere else. Textiles are in every little valley you come to throughout North Carolina, South Carolina, my State, and other States. You can't go over one hill and cross another hill without passing a textile plant in North Carolina, for instance. All of them are in the areas where poverty is prevalent.

So we actually may be on the horns of a dilemma. If we do one thing, we hurt; if we don't do one thing, we may be hurting the same people.

Mr. STITT. I would say in the long run, Mr. Mills, that the answer for the poor people in Appalachia, in Arkansas, and some of these other areas, perhaps in some areas of Massachusetts, the best answer the U.S. Government can give to them, is adjustment assistance rather than affecting our foreign policy by erecting tariff walls or quotas.

The CHAIRMAN. If we can once get this family assistance program into operation and get our trade relations properly equated, we are going to eliminate poverty in the United States at least by 1975. We can't go along any longer than that with it.

Mr. STITT. Adjustment assistance, sir, I believe——

The CHAIRMAN. That won't do it by itself.

Mr. STITT. For these poor people in Appalachia and elsewhere, imports are only part of their problem. There are technological changes, changes in the market, changes in productivity. There are many, many things operating here. Imports do contribute. But I would be inclined to say that in many of these depressed areas, imports are not the greatest factor, not the greatest reason why these people are living on the poverty line.

The CHAIRMAN. Mr. Stitt, what would your response be if I tell you that I can envision this committee, with the capacity it has, developing a program that will apply across the board to provide for more orderly reception of imports into the United States without cutting anybody back, that would not in any way be in violation of GATT?

Of course, anything we do, they are going to say it is, but they can't prove it. Nobody is going to be injured as a result of our action here or abroad. We are just not going to let them have all of our market.

Mr. STITT. I would deplore such action on the part of this committee.

The CHAIRMAN. I know you would. But I am asking you, if I told you that, would you think we could do it?

Mr. STITT. I think it would be bad.

The CHAIRMAN. I am not talking about whether it would be good or bad. I know your opinion is that it would be bad.

Mr. STITT. But don't you want the reason for my opinion? My reason is we live in a world which is shrinking very rapidly. To the extent we would erect barriers on the border to protect the domestic market, we would be losing ground to the rest of the nations of the world.

The CHAIRMAN. No; we would just be doing what the rest of the nations of the world have been doing since World War II and agreeing to undo with a great deal of reluctance.

Mr. STITT. That is the general tenor about a great deal of conversation we have heard here. I do know about Japan and they are lowering barriers, not raising them.

The CHAIRMAN. If we enacted the bill that I had in mind, Japan's export of textiles to us would be reduced by four percent.

Mr. STITT. That is right. No, of textiles across the board. In synthetic fibers, it would be reduced by about 40 percent.

The CHAIRMAN. I am talking about textiles across the board. For Taiwan, it would be about 50 or 55 percent.

Mr. STITT. And we want to do that to Taiwan. Do we want to do that to South Korea, to Indonesia, to Singapore? No.

The CHAIRMAN. You have had tears in my eyes all the way through your testimony but you haven't changed my mind. You have affected my eyes but not my mind.

I have said repeatedly that I didn't get to be chairman of the Ways and Means Committee to preside over the destruction of any segment of our American industry, and I mean it.

Mr. STITT. Sir, the textile industry is not in the course of being destructed. Certain segments are affected by imports. Let's examine the segments.

The CHAIRMAN. I think it is tomorrow they will be here, and they are certainly going to prove it with figures.

Mr. STITT. They are going to say it.

The CHAIRMAN. And prove it with figures.

Mr. STITT. Well, just look at the figures. I will not get them out and read them to you. You have seen them. The textile industry from 1961 to 1969, has seen the greatest growth in prosperity than it has seen for a century.

The CHAIRMAN. In any one of the years since 1965 or 1967 up to now, the rate of increase in textile products into the United States has far exceeded the increase in consumption.

Mr. STITT. Has not far exceeded?

The CHAIRMAN. It has far exceeded.

Mr. STITT. You are talking about a rate. Sir, you are forgetting the absolutes. We can all play with statistics.

The CHAIRMAN. I know. Anything I use seems to be wrong, but I am thinking about the fact that the rate of increase of textiles along with many other things that I could mention have increased in this period of time far more.

I would be perfectly willing to give anybody a part of the increase we have, say, from year to year, but what I don't like to do is to give them a part of the base of our production.

That is all I am talking about. Let's share the increase but not give them a part of the base of our production.

Mr. STITT. Sir, when you are back in your office, look at these statistics before tomorrow. You will find that year by year the textile industry in the United States in absolute yardage, poundage, or whatever you wish, has increased tremendously. I am talking about absolute increase, not rates of increase. Imports have gone up at a higher rate but as a part of the whole textile picture they haven't become significant yet. They are 8.5 percent.

The CHAIRMAN. You know and I know that the textile industry in the United States has lost ground in the last 4 or 5 years in certain definite areas with respect to apparel goods, with respect to printed goods. Certainly we can make a case.

Mr. STITT. Why don't we make the case on those goods? Why do we have to have comprehensive, across the board barriers? Let's look at those areas, like men's shirts.

The CHAIRMAN. Let me tell you what the thinking is. If we reached an agreement with respect to those two items——

Mr. STITT. Which two? Apparel?

The CHAIRMAN. Apparel and print goods.

Mr. STITT. Print goods?

The CHAIRMAN. Yes, dresses; the printing process is what I am referring to. That is an expensive process here. It is not so expensive abroad, apparently. We pay our people who run these machines $5.30 an hour, or something like that, in our textile industry. If you put eight colors on a piece of material, it takes eight different machines to do it. How in the devil they can keep them separated I don't know. I stood there and watched it one time for an hour. I was more amazed by that than I was the first television I ever saw. I knew that was a putup job, but I saw this happening. How they kept the colors from getting onto the other colors was amazing.

Anyway, you know and I know that that type of business is in a precarious condition here in the United States. But if you put a limit on that, something else goes up. You know and I know the cotton agreement is solely responsible for this precipitous increase in the import of manmade fibers into the United States.

Mr. STITT. You know the U.S. Government in the preamble to the cotton agreement agreed that it was to be confined only to cotton textiles and the principle would not be extended to other products.

The CHAIRMAN. Yes, I know that. That was in the administration way back.

Mr. STITT. It was a Democratic administration.

The CHAIRMAN. In this country, one administrator is not bound by a previous administration, except when the previous administration made some commitment to send an American soldier somewhere.

Mr. STITT. I will tell you what I will do with you. If you will change the Mills bill to cover——

The CHAIRMAN. I am not going to.

Mr. STITT (continuing). To cover not comprehensive textiles but to cover those areas where there is injury, and you mentioned two of them, with some findings of injury, and you then want to put a quota——

The CHAIRMAN. If I do that, in 6 months I would have to put an amendment somewhere else.

Mr. STITT. Well, it is a change in world——

The CHAIRMAN. No, it is not a change in worlds. It has always been that way. If you leave one door open, the fellow will come through the other.

Mr. STITT. I see no point in protecting segments of the textile industry which are doing marvelously well today.

The CHAIRMAN. I don't want to confine this to textiles. There are other industries.

Mr. STITT. I am for changing the escape clause, if you get a chance to read my testimony. I am not in favor of your substantial clause, by the way. I am in favor of the primary.

The CHAIRMAN. If I could find a word that opened it more to American industry, I would use it. That was about the most liberal word I could think of.

Mr. STITT. I like primary.

The CHAIRMAN. I don't.

Mr. STITT. Well, you are the chairman of the Ways and Means Committee.

The CHAIRMAN. No, I am just a member. I do what the other members tell me. I am just presiding.

Mr. Byrnes?

Mr. Conable?

Mr. Conable is on the Joint Economic Committee. You listen to him.

Mr. STITT. Yes, sir.

Mr. CONABLE. I would like to ask you, Mr. Stitt, about the trade restraints that we have relative to Japan. Do these loom large in the

Japanese consciousness at this point and are we gradually removing them in any way similar to the reductions you have described in the Japanese restraints?

Mr. STITT. Mr. Conable, that is a wonderful question.

Mr. CONABLE. Well, we are talking about reciprocity here. I would like to know——

Mr. STITT. We are talking about really nontariff trade barriers at this stage, I think.

Mr. CONABLE. Yes.

Mr. STITT. As far as the average——

Mr. CONABLE. Mr. Stitt, before we get too far, will you agree with the statement that I made here yesterday that Japan is one of the most closed markets in the free world?

Mr. STITT. I would not agree with that at all, sir.

Mr. CONABLE. You would not agree with that at all?

Mr. STITT. No, sir.

Mr. CONABLE. You mentioned movement, would you compare the movement in the two countries away from the nontariff restraints that we have been talking about?

Mr. STITT. I have some of that in my testimony, sir.

Mr. CONABLE. You did mention the number of controlled products that were being reduced in Japan?

Mr. STITT. Yes, sir.

Mr. CONABLE. Has there been any comparable movement on our part?

Mr. STITT. As far as I can discern, sir, none. If anything, all the conversation that is going on in the legislative halls these days is to increase restrictions, not to remove restrictions. At least the Japanese are moving in the right direction.

Mr. CONABLE. You have heard of some tariff action in the Kennedy round and the Japanese participation is that. Isn't that right? But that was a mutual sort of thing.

Mr. STITT. Yes, but they are moving faster. As I pointed out, they are going to accelerate the Kennedy round cuts. We are not. At least it has not been indicated.

Mr. CONABLE. Is this reduction in barriers you mentioned on the part of the Japanese a negotiated one or unilateral on the part of the Japanese?

Mr. STITT. It is unilateral. I think with persuasion from our diplomats. Actually I am rather familiar with the Japanese business community and I mean the leaders in the Japanese business community. They almost to a man are strongly in favor of quicker liberalization than the Government seems to want to go, except possibly for the textile industry.

Mr. CONABLE. It is unilateral except to the extent it reflects some reaction to American pressure?

Mr. STITT. Some.

Mr. CONABLE. There is, in other words, very little concession gained on the other side except the possible legislative restraint that you hope we will continue to exercise here?

Mr. STITT. All I can say is that there is a movement which is accelerating in Japan—it is now being realized that opening up the Japanese market is the best thing for the Japanese economy. Incidentally, they are suffering inflation, too, and they are seriously considering opening the doors wider to help try to contain the inflation which is something we should consider.

Mr. CONABLE. You mention in your statement that there was a services deficit of $1.4 billion.

Mr. STITT. Yes, sir.

Mr. CONABLE. Does that deficit relate largely to the United States and what types of services are contributing to this deficit?

Mr. STITT. The services I can give you, sir, but as to whether they are—I think a large number of them are to the United States. Let me find that.

Mr. CONABLE. Is that figure included in the figures that we have been talking about in the overall trade deficit that we now enjoy?

Mr. STITT. No, the trade deficit is purely an exchange of goods. The invisibles are things like shipping, tourism, marine insurance.

Mr. CONABLE. These invisibles are what you are talking about as the services deficit?

Mr. STITT. Yes; in the balance of payments they come under what is called invisible trade, but they are mostly services. A big item on the deficit side of Japan to the United States is payment of royalties for United States technology and patents.

Mr. CONABLE. This is a substantial figure, even though we don't have very substantial investment in Japanese business?

Mr. STITT. We have two ways of investing in Japan. One is to grant licenses on patents and know-how. The other is to directly invest.

Mr. CONABLE. We do a lot of licensing, even though we don't do a lot of investing, is that right?

Mr. STITT. That's right. The royalties must be paid on those patents and know-how.

Mr. CONABLE. Those royalties are part of the invisibles you are talking about in the service defict?

Mr. STITT. That's right.

Mr. CONABLE. Do you think the textile question merits all the attention we have received? We have a lot of outstanding issues with Japan, do we not?

Mr. STITT. Indeed we do. You know the prominence of your distinguished chairman and the fact that he has introduced the textile quota bill has brought textiles to the fore. But I must agree, to me it is a sort of minor problem between the United States and Japan. I would hope a compromise could be reached.

Mr. CONABLE. If it is a minor problem, why has it assumed all the symbolic significance that it has, judging from your statement of today?

Mr. STITT. On the Japanese side they are very fearful, if the Japanese Government once gives ground and says, "We will put on export controls in textiles," that the next step up the hill will be export controls on footwear. The next step up the hill will be export controls on electronics.

They have already made a few of these steps voluntarily. They are afraid that when they get to the top of the hill, there will be nothing left. They think as a precedent it is very bad, particularly since the U.S. industry is prosperous as a whole.

Mr. CONABLE. I have been somewhat surprised at your testimony. You seem to indicate that there is no chances of a voluntary agreement, which is somewhat at variance with the statement of the Secretary of Commerce here that he hoped that a voluntary agreement would emerge before the end of our hearings, the middle of June.

I am wondering if he has information or access to information that you might not have in your very sensitive position in representation of the Japanese trading interests.

Mr. STITT. I am sure that Mr. Stans has better information than I have. However, if you will recall, I did reply to Mr. Mills' textile question that I thought, given a certain amount of compromise on the part of the United States, such an agreement perhaps could be reached.

Mr. CONABLE. Is it your feeling that we have not reached a voluntary agreement because of failure of any compromising sentiment here in this country?

Mr. STITT. That is exactly my feeling, sir. We go around pounding on the doors of everybody else in the world, demanding that they put on voluntary quotas. It is undiplomatic, it is not the way to deal with sovereign nations.

If we went around and made a request and we were willing to sit down and show some flexibility and mention the sensitive areas we would like to protect, I am pretty sure we could reach an agreement.

Mr. CONABLE. Has there been any resentment in Japan to the establishment of factories by Japanese industries in Taiwan and South Korea and places of that sort in order to take advantage of the lower wage rates paid in those countries? This is going on, is it not?

Mr. STITT. Yes, sir.

Mr. CONABLE. Japanese multinational companies are doing the same sort of thing that our labor unions were objecting to this morning here in this room?

Mr. STITT. Yes. You say, is there any resentment in Japan?

Mr. CONABLE. Yes.

Mr. STITT. The Japanese are very pragmatic as a nation. They recognize they are very rapidly getting to be a high-wage country. They recognize that labor intensive industries are going out in Japan. They recognize this.

There may be a little resentment in certain communities, but by and large they are planning to let the low-wage items go out to these other countries while they concentrate on the highly productive industries they have constructed.

Mr. CONABLE. What is the rate of increase in the average wage level in Japan relative to our own? Is the gap narrowing really?

We have had some rather sharp increases in wages in this country recently.

Mr. STITT. I have some figures on that. Rather than anwser off the top of my head, let me look.

Now based on 1963—this is the index of 1963 as a hundred and carries us through 1968—wages in the United States have risen on the average 23 percent. During that same period of years wages in Japan rose 76 percent, about three times the rate.

Granted they are still apart absolutely, but if they are going to keep increasing, which Herman Kahn says they are by the way, it won't be too many years before wages in Japan will be up to our level. In fact, by the year 2000 Herman Kahn says they will be higher than that.

Mr. CONABLE. The Japanese economic miracle is likely to slow down a bit.

Mr. STITT. I think so. You understand, when I mention Herman Kahn and his projections, that he is one of these deep thinkers from a think tank. He says by the year 2000 Japan is going to have a greater GNP than the United States.

Obviously Japanese wages will be way up. Obviously Japan can't hope to increase its textile industry, shoe industry, umbrella industry, that kind of product, in that kind of environment.

Mr. CONABLE. Is this projection based on our enacting restrictive legislation or not?

Mr. STITT. Well, Mr. Kahn thinks in larger terms.

The CHAIRMAN. More liberal terms.

Mr. Corman will inquire.

Mr. CORMAN. Mr. Stitt, do you have the figures on the total consumption in this country of textiles and what percentage of that is imported?

Mr. STITT. I have it somewhere here, sir, I think. We have written a booklet on this which we sent to you, sir, but may I supply those figures for the record. I can't find them in front of me.

The CHAIRMAN. Fine. In addition, Mr. Corman, let me interrupt you. I would think, Mr. Stitt, both of these could properly go in the record.

Mr. STITT. Yes, sir.

The CHAIRMAN. Without objection, this material will also be included in the record at the conclusion of his statement.

Mr. CORMAN. Roughly what is the percentage of Japan's imports? Is it a significant amount?

Mr. STITT. You are talking about the percentage of imports to total consumption?

Mr. CORMAN. That's right.

Mr. STITT. I have a figure on that. It is about 8.4 percent as of 1969 in terms of pounds of fiber.

Mr. CORMAN. So it would probably be certainly less than that on dollar of consumer goods?

Mr. STITT. It is 4.2 percent of value. However, I must qualify the 4.2 percent by pointing out that the value of the imported textiles are stated in our import textiles FOB source country, and if you want to get them into the United States, you almost have to add to that ocean freight, insurance, and duty in order to get the level in the marketplace here.

So it would be somewhere between 4.2 and 8.5. I would, as a guess, say 6 percent of the value of the total textile market.

Mr. CORMAN. We assume for the moment that is not available to the American consumer. I am wondering how much of a shot in the arm that would be to American textiles. I am not sure it is as significant as one would think at first blush.

Mr. STITT. I don't think it is. I must agree with you, sir.

Mr. CORMAN. I suspect that some of those folks who buy Japanese imports might be the ones that go for hand-me-downs, and that does not help our textile industry very much.

As a casual observation, on the street it seems to me that Japanese imports are greatly on the increase.

Mr. STITT. Indeed.

Mr. CORMAN. The Toyota seems to be competing with the Volkswagen.

Mr. STITT. Yes, sir.

Mr. CORMAN. Again it seems to me that the Japanese automobile manufacturers are filling the desire of American consumers in an area that really is not dependent on low wages for its success, but rather just tailoring their product to consumer desires.

In Japan are there any nontariff barriers to the importation of American automobiles?

Mr. STITT. There is one nontariff barrier which we can't do anything about. If you have been to Japan—I am sure Mr. Mills has at one time or another—you have never been to Japan, Mr. Mills?

Those who have been to Japan will discover that in most of the residential areas of the big cities the homes face on alleys that are at most about 6 to 8 feet wide. Now a Chevrolet can't go down those alleys, a Toyota can, a Datsun can, a Volkswagen can.

If our automobile industry is really interested in exporting to a country like Japan, a country crowded with a hundred million people, we have to build a car suitable to the Japanese market.

They are now in the process, in Detroit and in the Midwest, of building small utility-type cars, not too expensive. There might be an opportunity to export some cars to Japan.

The prestige value, incidentally, of an American car in Japan is terrific. Every company president has some American car, just for the prestige of it, something like a Parker pen, or a Singer sewing machine.

The CHAIRMAN. How does he get through those alleys with it?

Mr. STITT. This kind of man probably lives on streets 10 feet wide, you see. Most people in Japan do not live on that wide an avenue.

Mr. CORMAN. What kind of incentive is there for American filmmakers to go to Japan for movies?

Mr. STITT. Filmmakers to go to Japan to make the movies?

Mr. CORMAN. Yes.

Mr. STITT. As far as I know, Japan offers no incentives to American movie companies to come over and make a film in Japan. I know countries like Spain do, and Portugal, possibly Italy. But Japan does not do this.

Japan imports American films. Incidentally, the revenues for those are quickly returnable in dollars. There is no restriction on the return.

Mr. CORMAN. Are there any other kinds of nontariff barriers as far as film importation is concerned?

Mr. STITT. There were in past years, but there are none today.

Mr. CORMAN. None?

Mr. STITT. Pardon me. Pornography. The Japanese sometimes censor American films by cutting out some of the more pornographic portions.

The CHAIRMAN. They should.
Mr. CONABLE. Will you yield on that, Jim?
Mr. CORMAN. Yes.
Mr. CONABLE. The Japanese have a quota on film itself, however?
Mr. STITT. Undeveloped film, you mean?
Mr. CONABLE. I happen to represent the area in which Eastman Kodak is located. You have a quota on film even though you recently eliminated the 40-percent tariff on it.
Mr. STITT. I believe that is correct, sir.
Mr. CONABLE. This is unprocessed film?
Mr. STITT. Yes. I think that is on its way out in this process of liberalization.
Mr. CORMAN. There are no limitations on television shows nor their features in theaters?
Mr. STITT. No, sir, unless they are pornographic.
Mr. CONABLE. Doesn't our Supreme Court affect what happens in Japan?
Mr. STITT. Not a bit, sir. They have their own supreme court.
Mr. CORMAN. Didn't we help write their Constitution after World War II? I should have thought we would have stuck in that first amendment so they would have no problem in this respect.
What about the aircraft industry? It looks like there may be a round of purchases of these big new transport planes. There seems to be some international competition. Is there any restriction in Japan so far as purchases of commercial planes?
Mr. STITT. First, I can say that there are no restrictions. Second, I would like to say that Japan Air Lines in its international routes has entirely Douglas and Boeing planes. In their domestic routes they have about 75 percent American airplanes, the others being Japanese or from somewhere else.
As far as the new jumbo jets, I am sure that Japan Air Lines and Nippon Air Lines will be buying more than their share. They will be one of the best customers of the American aircraft industry since the big jets started.
Mr. CORMAN. They have the same problem with airports, as they have on streets?
Mr. STITT. They are having trouble locating airports as we are.
Mr. CORMAN. Thank you very much.
The CHAIRMAN. You asked me if I have been to Japan. I have not been. I know I have missed an awful lot. I am afraid to go. Frankly, they are so darn much smarter than I am, no telling how much they would sell me or how close they would come to breaking me if I went over there.
I have little resistance, as you know.
Mr. STITT. I have very little myself, as you know.
The CHAIRMAN. You have no statistics on the increase in imports of cotton, wool and man-made fibers?
Mr. STITT. Not in those terms.
The CHAIRMAN. We have the cotton voluntary agreement, but in 1965 for the first 2 months, January and February, we imported from all of these countries 161 million square yards of cotton textiles.
Mr. STITT. This is 1965, you say?

The CHAIRMAN. Yes, sir. In the first 2 months of 1970 that had risen to 282.4 million square yards. Wool not so much an increase, in 1965 16.5 million square yards.

In 1970, January and February, we imported 22.5 million square yards.

Now, there is a little different story on man-made fibers. The first 2 months of 1965 we imported 72.2 million square yards. The first 2 months of 1970 we imported 349.5 million square yards. You mean to tell me that an industry is not hurt under those circumstances?

Mr. STITT. Mr. Mills, let us take the difference between 1965 and 1969 on all those fabric categories.

The CHAIRMAN. 1970.

Mr. STITT. Pardon me, 1970.

You have given me the absolute increase in imports. Could I submit to you later the absolute increase in domestic sales of those same fabrics, just for comparison's sake?

The CHAIRMAN. Just what is made in the United States.

Mr. STITT. Made in America.

For example, that synthetic fiber figure is rather startling the way you put it.

The CHAIRMAN. Yes, sir.

Mr. STITT. But you look at the sale of domestic fabrics made of synthetic fibers by the domestic industry over those 10 years or 6 years, and you will be amazed.

The CHAIRMAN. I have a complaint against the textile industry. I can't find a solid color cotton shirt anywhere. That is what I want to wear.

Mr. STITT. You have one on.

The CHAIRMAN. I know, but I have to buy an imported shirt to get it.

Mr. STITT. Don't tell me.

The CHAIRMAN. It is certainly. You have to buy it from France or somewhere.

Mr. STITT. Here I am testifying for the importer.

The CHAIRMAN. They can't compete, they say, or they force me to pay $15 for a cotton shirt made in France. Do you think we could talk them into making solid color cotton shirts in the United States when they come tomorrow? I am going to try.

Mr. STITT. I will present you with a cotton shirt.

The CHAIRMAN. I don't accept anything more expensive than a Coca-Cola.

Mr. STITT. I will buy you a Coke.

The CHAIRMAN. All right, I am getting thirsty. Let me tell you about man-made fibers for the year 1969 as compared to 1965. In 1965 altogether we imported 565.9 million square yards of man-made fiber.

Then in 1969 it was 1,782,700,000.

Mr. STITT. These are imports?

The CHAIRMAN. Imports into the United States from all of the exporting countries, not just Japan. This is all of it.

Mr. STITT. Yes.

The CHAIRMAN. Now you can go on a little bit further and project 1975 and not allow for any greater increase than occurred between 1965 and 1970 and what part of the domestic market is that?

It is not just where they are today. The problem is what it will be 5 years from now in the light of what has transpired in the last 5 years.

Mr. STITT. Mr. Mills, with all your experience as chairman of this committee, I am sure by this time you have realized that straight-line future projections are the most imperfect things that possibly can be depended upon. You are talking about straight-line projections of a trend, is that right?

The CHAIRMAN. I wish I knew it was just going that way.

Mr. STITT. You prefer straight line?

The CHAIRMAN. I would; yes.

Mr. STITT. This is a very, very undependable yardstick. If we took our domestic production of synthetic fiber and ran that on a straight-line projection, I am sure you would find an astounding increase.

The CHAIRMAN. That is true, but nothing comparable to this.

Mr. STITT. The rate is not comparable, but the absolute poundage or yardage is.

The CHAIRMAN. Then to what countries do we export textiles? Do you know?

Mr. STITT. I haven't examined that, sir. I could give you something on that, if you would like.

The CHAIRMAN. I have been trying to find out one country to which we export much in the way of textiles and I have not found it yet.

Mr. STITT. Maybe Canada and Venezuela.

The CHAIRMAN. If they find out we are exporting to them, why——

Mr. STITT. I will be happy to present you with a series of figures on U.S. exports in textiles over the past 4 or 5 years.

The CHAIRMAN. Could you do that by the morning?

Mr. STITT. By the morning?

The CHAIRMAN. I don't want you to stay up all night now. I thought you had already prepared it.

Mr. STITT. I can have you something like that by noontime.

The CHAIRMAN. That will be soon enough. They will still be here. I want to ask the textile people some questions, too.

Mr. STITT. I will give you the official U.S. census export statistics.

(The information referred to follows:)

U.S. EXPORTS OF TEXTILE MILL PRODUCTS AND APPAREL

[In millions of dollars]

Country	Total	Textile mill products	Apparel
1967:			
Western Europe	195.8	147.0	48.8
Canada	145.0	134.4	10.6
Latin America	108.9	74.6	34.3
Asia	96.9	65.3	31.6
Africa	58.0	45.5	12.5
Other	90.2	64.1	26.1
Total	694.8	530.9	163.9
1968:			
Western Europe	216.7	165.9	50.8
Canada	134.7	123.6	11.1
Latin America	112.1	71.7	40.4
Asia	86.9	56.9	30.0
Africa	58.2	44.2	14.0
Other	89.4	60.0	29.4
Total	698.0	522.3	175.7
1969:			
Western Europe	247.6	173.3	74.3
Canada	147.6	134.8	12.8
Latin America	121.9	72.3	49.6
Asia	115.7	87.3	28.4
Africa	62.6	49.7	12.9
Other	89.2	58.1	31.1
Total	784.6	575.5	209.1
First quarter 1970:			
Western Europe	71.8	51.9	19.9
Canada	36.9	33.4	3.5
Latin America	32.5	17.7	14.8
Asia	33.0	25.2	7.8
Africa	16.4	11.4	5.0
Other	22.6	15.2	7.4
Total	213.2	154.8	58.4

Source: U.S. Bureau of the Census, FT 990.

The CHAIRMAN. I want to ask the textile people tomorrow about volume of exports and where they export to and why they don't make the solid cotton shirts I like.

Mr. CONABLE. If your wife is losing 4 pounds a week, you could easily compute you would be completely rid of her in another 9 months on a straight-line projection.

The CHAIRMAN. I understand that, but that does not work with respect to women.

Are there any further questions of this fine witness and good friend? If not, we will excuse you. We appreciate your coming.

Mr. STITT. Thank you very much.

The CHAIRMAN. We look forward to seeing you again when we have another quota bill to consider.

Mr. STITT. Thank you, sir.

(The following material was received by the committee:)

UNITED STATES-JAPAN TRADE COUNCIL,
Washington, D.C., May 26, 1970.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: During the course of the current hearings on proposed legislation affecting United States trade and tariff policies, you have shown great interest in the issue of reciprocity in U.S. trade with the foreign countries. While the problem of non-tariff trade barriers is undoubtedly important in this connection, remaining tariff barriers also are important, in our view.

During my testimony, I inadvertently failed to bring out the following facts. A book entitled "Traders and Diplomats," written by Dr. Ernest H. Preeg (an expert in U.S. trade relations) and published by the Brookings Institute this year, includes the following interesting analysis of comparative tariff levels:

AVERAGE TARIFF LEVELS FOR NONAGRICULTURAL PRODUCTS, AT CONCLUSION OF KENNEDY ROUND CUTS, ON DUTIABLE IMPORTS

[As percentage of c.i.f. value]

	Total	Manufactures
United States	9.6	9.9
European Economic Community	8.1	8.6
United Kingdom	10.6	10.8
Japan	9.5	10.7

It seems evident that there is not too great a difference among the major trading countries of the world.

Additionally, this study indicates that, after the Kennedy Round tariff cuts, the average United States tariff cuts, the average United States tariff level on textiles will be 20.1 percent for the United States, 12.6 percent for the European Economic Community, 16.9 percent for the United Kingdom, and 13.6 percent for Japan. This clearly indicates the tariff protection already afforded to the United States textile industry.

Sincerely,

NELSON A. STITT, *Director.*

MEMORANDUM OF THE TEXTILE QUOTA ISSUE—BY THE UNITED STATES-JAPAN TRADE COUNCIL

Enclosed is a series of tables, taken from U.S. government statistics, analyzing the U.S. textile and apparel industries in terms of sales and profits, employment, relationship of imports to domestic consumption and origin of imports. The data, which is relevant to the current textile issue, show clearly that the U.S. textile industry as a whole is not suffering from imports.

Whatever resolution emerges from the current textile controversy must take into account the foregoing basic fact. Before there can be any sensible resolution there must be a willingness to examine, and tailor remedies to, the problems of specific sectors of the industry. A comprehensive system of across-the-board quotas would be detrimental to American consumers and American exporters, lead to a contraction of world trade, and reverse the sustained pace of worldwide industrial growth and prosperity which has resulted from the enlightened foreign trade policies of the last 35 years.

SUMMARY OF STATISTICS ON TEXTILE PRODUCTION AND IMPORTS

The attached statistical information, all from U.S. government sources for the year 1969, shows the following:

1. Sales of the domestic textile and apparel industries have risen steadily and substantially from $27.7 billion in 1961 to $44.5 billion in 1969. Profits of both industries rose very sharply from 1961 through 1968; textile profits were static in 1969, but apparel profits showed a large increase.

2. Imports of all textiles and textile products, made of synthetic (man-made) fibers, cotton and wool, amounted to 8.5 percent of domestic consumption in bulk (pounds). They accounted for 4 percent of the U.S. market in dollar volume. Imports of synthetic textiles and textile products supplied 5.5 percent of the U.S. market in bulk and about 3 percent in dollar volume.

3. Employment in both the textile and apparel industry has risen steadily from 1961 through 1968, despite substantial automation. It remained static in the apparel industry in 1969 and the first quarter of 1970, and declined fractionally in the textile industry in the same period. There is no evidence of serious

unemployment, despite the business slowdown, cut-back of war-related orders, and automation. Given these factors, employment remains surprisingly high.

4. Substantial amounts of textiles and textile products are sold to the U.S. by 10 countries in the Western Hemisphere, 14 in Europe, 2 in the Middle East and 10 in the Far East—36 countries in all. Some 46 percent of all textile imports come from underdeveloped countries, while 26 percent come from Japan and 25 percent from Western Europe. The percentage originating in underdeveloped countries has been rising steadily in recent years, notably from Korea, Taiwan and Hong Kong.

5. In summary, the U.S. textile and apparel industries are continuing to enjoy a high level of sales, profits and employment. Imports from some 36 foreign countries, while important to the economies of many of them, supply only a small fraction of the huge $44.5 billion U.S. market for textiles and textile products. Contrary to popular myth, the "flood" of textile imports is substantially under 10 percent of the U.S. market, and the U.S. industry is patently not endangered thereby.

SALES AND PROFITS OF U.S. TEXTILE, APPAREL INDUSTRIES

[In millions of dollars]

	1961	1968	1969
Textile industry sales	13,400	20,800	21,800
Apparel industry sales	12,300	20,000	22,700
Total	27,700	40,800	44,500
Textile industry profits	589	1,276	1,245
Apparel industry profits	331	856	953
Total	920	2,132	2,198

Summary: Sales of the domestic textile industry and apparel industry have increased steadily since 1961, even showing an increase in 1969 over their record performance in 1968. Profits of both industries rose very substantially from 1961 to 1968. In 1969 textile profits remained static (at a record level), while apparel profits continued to rise sharply.

Source: Federal Trade Commission—Securities and Exchange Commission quarterly financial report for manufacturing corporations.

EMPLOYMENT AND UNEMPLOYMENT IN TEXTILE AND APPAREL INDUSTRIES

AVERAGE ANNUAL EMPLOYMENT

[In thousands]

	1961	1968	1969	1st quarter, 1970
Textile industry	893.4	990.6	987.2	974
Apparel industry	1,214.0	1,407.9	1,417.5	1,407
Total	2,107.4	2,398.5	2,404.7	2,381

UNEMPLOYMENT RATE

[In percent]

	1968	1969
Textile industry	3.5	4.2
Apparel industry		

Note: No current study seems to be available to analyze the numerous factors affecting employment and unemployment in the textile and apparel industries. But several factors enter into play: (1) the slowdown of business activity since mid-1969; (2) a cutback in war-related orders in the last year; (3) a constantly increasing level of automation, resulting from a high level of investment in new plant and equipment; (4) import competition in some specific products, such as men's shirts.

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employment and Earnings."

Textile imports as a percentage of domestic consumption

[Value in millions]

Imports of consumer textile products	$1,099.6
Imports of finished textile materials (including $232 million of jute, burlap, and twine products)	776.4
Total	1,876.0
Imports of rugs	68.8
Total imports	1,944.8
U.S. textile industry sales	21,800
U.S. apparel industry sales	22,700
Total domestic sales	44,500
U.S. textile exports	575
U.S. apparel exports	209
Total exports	784
Domestic textile and apparel sales	44,500
Plus total imports	1,944
Total	46,444
Less total exports	—784
Apparent domestic consumption	45,620

Imports as percent of domestic consumption: 4.2 percent.

NOTE.—If imports of such products as jute, burlap, and twine are eliminated, the percentage of imports is reduced to 3.8 percent of domestic consumption.

Source: U.S. Department of Commerce, FT 990 FTC–SEC Study previously cited.

Relationship of textile imports to domestic consumption (1969)

[Volume in million pounds]

Manmade fiber textiles and manufacturers:	
U.S. production (shipments)	5,346
Plus imports	292
Total	5,638
Less U.S. exports	—146
Apparent consumption	5,492

Imports as percent of consumption: 5.5 percent.

Cotton textiles and manufacturers:	
U.S. production (mill consumption)	3,926
Plus imports	491
Total	4.417
Less U.S. exports	—232
Apparent consumption	4,185

Imports as percent of consumption: 11.7 percent.

Wool textiles and manufactures:	
U.S. production (shipments)	315
Plus imports	105
Total	420
Less U.S. exports	—5
Apparent consumption	415

Imports as percent of consumption: 25 percent.

Total cotton, manmades, wool textiles, and manufactures:

U.S. production	9,587
Plus imports	888
Total	10,475
Less U.S. exports	−383
Apparent consumption	10,092

Imports as percent of consumption: 8.5 percent.

Source: U.S. Department of Commerce, Office of Textiles.

ORIGIN OF TEXTILE IMPORTS BY AREA (1969)

IMPORTS OF CONSUMER TEXTILE PRODUCTS (EXCEPT RUGS)

[Dollar amounts in millions]

	Total	Western Europe	Japan	Asia	Latin America	Total from developing countries
Total	$1,099.6	$254.9	$267.6	$502.4	$26.4	$503.7
Percent		23	24	45	2.5	49
Cotton apparel and household goods	$312.2	$45.2	$101.1	$141.2	$3.2	144.7
Percent		14.5	32	45	1	47
Wool apparel and household goods	$250.5	$127.3	$20.2	$93.7	$1.4	$95.3
Percent		51	8	37		38
Other apparel and household goods (mostly synthetic)	$536.9	$82.5	$146.3	$267.5	$21.8	$290.6
Percent		15.5	27	49.5	4	54

IMPORTS OF FINISHED TEXTILE MATERIAL

	Total	Western Europe	Japan	Asia	Latin America	Total from developing countries
Total	$776.4	$208.3	$217.3	$295.2	$27.7	$331.0
Percent		27	28	38	3.5	42.5
Cotton cloth and fabric	$194.2	$53.7	$52.9	$67.7	$8.5	$80.1
Percent		28	27	35	4.5	41
Wool cloth and fabric	$102.0	$17.8	$63.3	$3.4	$1.8	$5.2
Percent		17.5	62	3	2	5
Other cloth and fabrics (mostly synthetics)	$217.0	$87.7	$89.4	$23.0	$8.3	$31.4
Percent		40.5	41	9	2.6	14.5
Silk cloth and fabrics	$30.7	$16.6	$11.3	$1.6		$1.6
Burlaps, jute and twine manufacturers	$232.4		$.2	$199.3	$9.1	$212.6
Total, consumer textile products and finished textile material	$1,876.0	$463.2	$484.9	$797.6	$54.1	$861.7
Percent		25	26	42	3	46

Source: U.S. Department of Commerce, FT 990, December 1969.

SOURCES OF TEXTILE AND TEXTILE PRODUCTS IMPORTS (1969)

[Figures in thousands of square yards]

	Manmade textiles	Cotton textiles	Wool textiles
Western Hemisphere:			
Barbados	2,135		
Brazil		37,389	
Colombia	778	29,224	
Costa Rica	1,237	2,324	
Haiti	2,342	946	
Jamaica	2,954	12,825	
Mexico	18,123	58,330	
Trinidad	1,606	547	
Uruguay			2,331
Canada	58,012	17,004	1,956
Europe:			
Austria	8,629	1,624	1,734
Belgium	18,115	37,291	1,993
France	22,300	7,175	2,163
Italy	65,549	61,482	22,853
Netherlands	16,370	5,575	598
Poland		5,170	
Portugal	2,780	29,698	539
Ireland	8,822		5,173
Rumania		5,621	
Spain	10,923	25,098	731
Switzerland	19,411	5,316	1,404
United Kingdom	32,354	19,259	18,827
West Germany	232,507	17,928	2,578
Yugoslavia	1,588	16,217	
Near East:			
Israel	31,172	11,430	765
Egypt		31,788	
Far East:			
Australia			4,952
Hong Kong	144,840	413,177	32,541
India		111,516	
Japan	585,242	395,697	60,463
Korea	212,193	36,436	4,052
Malaysia	2,265	14,784	
Pakistan		94,767	
Philippines	27,264	21,267	
Singapore	3,923	35,531	
Taiwan	237,595	60,861	3,409

Note: The very large number of foreign countries which supply textiles to the United States gives considerable insight into the worldwide impact of proposed textile quotas; it also suggests the tremendous administrative difficulty in applying such quotas. Though the volume of shipments of some countries shown here is small, textiles represent for them a significant part of their manufactured exports (such as Costa Rica, Haiti, Singapore, Ireland).

Source: U.S. Department of Commerce, Bureau of the Census, TQ 2010, 2210, 2301.

ANALYSIS OF FOREIGN ORIGIN OF TEXTILE IMPORTS

Major suppliers (over 50,000,000 square yards yearly)	Substantial suppliers (over 25,000,000 square yards yearly)	Smaller suppliers (less than 25,000,000 square yards yearly)
Western Hemisphere:		
Mexico	Brazil	Barbados.
Canada	Colombia	Costa Rica.
		Haiti.
		Jamaica.
		Trinidad.
		Uruguay.
Europe:		
Belgium	France	Austria.
Italy	Netherlands	Poland.
United Kingdom	Portugal	Rumania.
West Germany	Spain	Yugoslavia.
	Switzerland	
	Ireland	
Near East:		
	Israel	
	Egypt	

ANALYSIS OF FOREIGN ORIGIN OF TEXTILE IMPORTS—Continued

Major suppliers (over 50,000,000 square yards yearly)	Substantial suppliers (over 25,000,000 square yards yearly)	Smaller suppliers (less than 25,000,000 square yards yearly)
Far East:		
India	Singapore	Australia.
Hong Kong		Malaysia.
Korea		
Japan		
Pakistan		
Philippines		
Taiwan		

Note: There are numerous other countries which ship over 1,000,000 square yards of textiles annually to the United States, including: Tunisia, Hungary, Sweden, and Norway. "Smaller suppliers" listed above average 8,000,000 to 10,000,000 square yards annually.

Source: U.S. Department of Commerce, Bureau of the Census, TQ 2010, 2210, 2310.

U.S. EXPORTS OF DOMESTIC MERCHANDISE TO JAPAN, BY COMMODITY—ANNUAL 1968 AND 1969

[Value in millions of dollars]

Commodity	1968	1969	Percent change	Japan's percentage of total U.S. exports, 1969
Total exports	$2,923.5	$3,461.8	18.4	9.2
Agricultural commodities	932.6	933.5	0.1	15.7
Nonagricultural commodities	1,990.9	2,528.3	27.0	8.0
Food and live animals	476.5	552.7	16.0	14.8
Meat and meat preparations	17.5	35.6	103.4	17.9
Grains and cereal preparations	366.8	400.1	9.1	18.8
Wheat—unmilled	123.6	119.3	−3.5	16.4
Barley—unmilled	.4	.4	0	5.1
Corn—unmilled	144.8	190.6	31.6	26.3
Grain sorghums	94.8	87.0	−8.2	65.7
Fruits, nuts, and vegetables	24.8	37.9	52.8	7.0
Animal feeds	29.8	35.0	17.4	8.6
Beverages and tobacco	48.4	49.5	2.3	6.9
Tobacco—unmanufactured	45.8	44.7	−2.4	8.3
Crude materials, except fuel-inedible	926.6	924.5	−0.2	25.9
Hydes and skins	45.0	55.0	22.2	36.1
Soybeans	218.0	200.3	−8.1	24.4
Synthetic rubber	25.0	14.3	−42.8	10.2
Logs and lumber	242.8	276.1	13.7	57.9
Wood pulp	43.6	51.7	18.6	18.4
Raw cotton	110.0	52.2	−52.5	18.6
Metal ores, concentrates and scrap	179.4	213.6	19.1	30.0
Iron and steel scrap	92.4	126.8	37.2	41.9
Nonferrous metal ores and scrap	44.7	51.2	14.5	14.8
Iron ores and concentrates	42.3	35.5	−16.1	57.0
Mineral fuels, lubricants and related material	253.4	318.8	25.8	28.2
Coal	171.4	243.8	42.2	41.1
Petroleum and products	81.5	71.9	−11.8	16.6
Lubricating oils	25.6	27.5	7.4	16.0
Animal and vegetable oils, fats, and waxes	33.4	34.4	3.0	11.2
Tallow and grease	29.7	29.5	−.7	23.2
Chemicals	247.5	304.1	22.9	9.0
Chemical elements & compounds	77.2	129.2	67.4	9.4
Organic chemicals	53.9	67.1	24.5	7.4
Inorganic chemicals	19.6	22.8	16.3	6.1
Medicinal & pharmaceutical preparations	21.7	30.4	40.1	8.4
Fertilizers	15.6	12.4	−20.5	5.7
Plastic materials	36.2	34.3	−5.2	5.8
Manufactured goods classified chiefly by materials	143.4	222.5	55.2	4.9
Paper and manufactures	9.3	9.6	3.2	1.6
Textiles, excluding fibers and clothing	7.8	12.2	56.4	2.1
Brick, glass, gems, abrasives, etc	28.6	34.8	21.7	7.8
Copper and alloys	21.8	20.5	−6.0	7.3
Aluminum and alloys	12.0	57.9	382.5	19.7
Miscellaneous metal manufactures	14.4	16.2	12.5	2.3
Machinery and transportation equipment	636.8	811.1	27.4	5.0
Nonelectric machinery	393.7	476.6	21.2	6.6
Power generating machinery	73.1	98.0	34.1	7.8
Aircraft engines and parts	37.0	38.9	5.1	10.0
Engines and turbines	8.5	12.8	50.6	8.4
Parts and accessories	28.5	26.1	−8.4	11.1
Other power generating machinery and parts	35.6	58.5	64.3	9.8

U.S. EXPORTS OF DOMESTIC MERCHANDISE TO JAPAN, BY COMMODITY—ANNUAL 1968 AND 1969—Continued

[Value in millions of dollars]

Commodity	1968	1969	Percent change	Japan's percentage of total U.S. exports, 1969
Agricultural machinery and parts	12.1	17.7	46.3	2.7
Tractors—tracklaying wheel type	9.7	14.2	46.4	3.3
Office machinery and computers	84.0	121.4	44.5	11.5
Electronic computers and parts	59.4	91.3	53.7	12.5
Metalworking machinery and machine tools	60.9	56.0	−8.0	16.3
Metal-cutting machine tools	33.2	30.7	−7.5	19.3
Metal-forming machine tools	17.8	19.3	8.4	20.5
Machines for special industries	15.5	16.8	8.4	6.1
Construction and mining machines	23.7	30.4	28.3	2.4
Other nonelectric machinery	114.5	127.0	10.9	6.0
Air-conditioning and refrigerating equipment	29.3	23.3	−20.5	6.4
Pump for liquids and parts	11.5	12.9	12.2	5.9
Electric machinery	116.2	161.7	39.2	6.0
Electric power apparatus and switchgear	18.9	27.2	43.9	4.8
Radio, TV, and other telecommunications equipment	24.8	24.9	.4	4.0
Transport equipment	126.9	172.7	36.1	2.7
Automobiles and other vehicles and parts	22.0	29.8	35.5	.8
Passenger cars	13.4	14.4	7.5	1.7
Aircraft and parts	102.6	140.5	36.9	5.9
Aircraft—commercial	56.0	88.8	58.6	7.2
Parts and accessories	46.6	51.7	10.9	9.3
Miscellaneous manufactured articles	143.2	200.1	39.7	8.2
Scientific instruments	43.6	61.5	41.1	7.8
Photographic supplies	21.2	28.8	35.8	12.9
Musical instruments and parts	16.9	26.1	54.4	10.6
Toys, sporting goods, etc	15.2	24.6	61.8	19.6
Books, periodicals, etc	25.4	26.8	5.5	8.6
Unclassified commodities	14.3	44.1	208.4	1.8

Source: U.S. Bureau of the Census, Report FT 990, table E-6.

United States Japan

A Comparison of Trade and Economic Data

UNITED STATES—JAPAN TRADE COUNCIL
1000 CONNECTICUT AVENUE, N.W., WASHINGTON, D.C.

1

GENERAL DATA

1. TOTAL AREA

Japan ....144,000 square miles
U.S. ....3,615,000 square miles

2. POPULATION (millions)

	1900	1968	Population per Sq. Mile (1968)
Japan	44	101	701
U.S.	75	200	55

3. GROSS NATIONAL PRODUCT ($ billions)

	Japan (a)	U.S. (b)	(b)/(a)	GNP Gap
1950	11	285	25.9	274
1960	43	504	11.7	461
1968	142	866	6.1	724

4. PER CAPITA NATIONAL INCOME ($ U.S.)

	Japan (a)	U.S. (b)	World Ranking Japan	World Ranking U.S.	Income Gap (b)—(a)
1950	123	1,582	37th	1st	1,459
1960	356	2,294	23rd	1st	1,938
1968	1,110	3,543	19th	1st	2,433

5. NATIONAL INCOME BY INDUSTRY DIVISION (1968) ($ billions)

	Japan	U.S.
Agriculture, forestry & fisheries	11.8	21.9
Mining	0.8	42.9
Construction	8.3	
Manufacturing	33.6	215.4
Public Utilities & Transportation	9.2	55.1
Wholesale & retail trade	19.1	105.2
Finance & real estate	11.5	78.3
Services	14.2	86.1
Government & government enterprises	4.2	105.0
Others	—	4.7
Total	112.6	714.4

2

INDEX OF PRICES, WAGES AND PRODUCTIVITY (1968)

(1963 = 100)

	Japan	U.S.
PRICES		
Wholesale	106.2	108.4
Consumer	127.4	113.6
Food	*130.8*	*113.5*
Housing	*123.8*	*112.4*
Apparel	*120.0*	*114.6*
Health & recreation	*129.1*	*116.7*
Transportation	*131.2*	*110.9*
WAGES (Manufacturing Industries)	176.2	123.0
PRODUCTIVITY (Manufacturing Industries)	174.6	117.1
UNIT COST OF LABOR (Manufacturing Industries)	106.0	109.9

3

EMPLOYMENT (1968)

(Thousands)

	Japan	U.S.
Total	**49,006**	**75,920**
Agriculture & Fisheries	10,842	3,817
(percentage share in total)	(22.1%)	(5%)
Non Agricultural	38,156	72,103
(percentage share in total)	(77.9%)	(95%)
Mining	*297*	*625*
Construction	*3,527*	*3,259*
Manufacturing	*12,606*	*19,740*
Transportation & public utilities	*3,382*	*4,348*
Wholesale & Retail trade	*8,925*	*14,111*
Finance, insurance and real estate	*1,348*	*3,357*
Service & Miscellaneous	*6,587*	*10,504*
Government	*1,485*	*12,202*

NOTE: *Italic indicates subheading under previous heading.*

4

TECHNOLOGY AND INVESTMENT

1. PRIVATE FIXED CAPITAL INVESTMENT (1968)
($ billions)

Japan	26.5
U.S.	88.8

Percent of GNP

Japan	18.7
U.S.	10.3

2. RESEARCH AND DEVELOPMENT (1967)
($ billions)

Japan	1.7
U.S.	23.8

Share in National Income

Japan	1.8%
U.S.	3.6%

3. TRADE IN TECHNOLOGY
($ millions)

	Technology Exports	Technology Imports
Japan (1968)	29	296
U.S. (1965)	1,225	133

5

INTERNATIONAL TRADE

A. TRADE IN THE NATIONAL ECONOMY (1968)

	Share of Exports in GNP	Share of Imports in GNP
Japan	9.2%	9.1%
U.S.	3.9%	3.8%

B. SHARE IN WORLD TRADE

	Share in World Exports		Share in World Imports	
	1963	1968	1963	1968
Japan	4.0%	6.1%	4.7%	5.8%
U.S.	17.2%	16.3%	13.0%	16.0%

C. BY AREA AND COUNTRY (1968, $ millions)

Japan			U.S.	
Exports	Imports*		Exports	Imports
12,972	12,987	Total	33,982	33,114
Percentage distrib.			Percentage distrib.	
31.5	27.2	U.S.		
		Japan	8.6	12.3
2.7	5.1	Canada	23.4	27.0
12.7	9.8	Western Europe	31.7	30.6
5.7	7.4	Latin America	13.7	12.9
27.9	15.3	Asia (except Japan)	14.3	8.6
7.2	6.5	Africa	3.7	3.4
4.2	8.6	Australia & Oceania	3.0	2.1
4.5	6.4	Communist Bloc	0.6	0.6
3.6	13.8	Others	1.9	2.6

* CIF Basis

D. BY COMMODITY GROUP, 1968 (Percentage Distribution)

Japan			U.S.	
Exports	Imports		Exports	Imports
100%	100%		100%	100%
3.2	14.0	Food	11.4	13.8
0.1	0.5	Beverage & Tobacco	2.1	2.4
1.9	37.1	Crude mater. exc. fuels	10.3	10.0
0.2	20.6	Mineral fuels, lubr. & rel. products	3.1	7.6
0.1	0.4	Animal, Veg. oils, fats	0.8	0.5
6.2	5.3	Chemicals	9.7	3.4
34.9	9.9	Manufactured products other than machinery	11.0	24.4
38.0	9.4	Machinery & transportation equipment	42.6	24.1
14.9	2.4	Misc. manuf. articles	6.3	10.1
0.9	0.4	Others	2.7	3.7

6

VI. BILATERAL TRADE

A. U.S. EXPORTS TO JAPAN (F.O.B.) / U.S. IMPORTS FROM JAPAN

($ millions)

	U.S. Exports to Japan (F.O.B.)	U.S. Imports from Japan
1955	642.0	416.0
1960	1,325.3	1,126.5
1968	2,923.5	4,043.7

B. BY COMMODITY (1968, $ millions)

U.S. Exports to Japan		U.S. Imports from Japan
$2,923.5	**Total**	**$4,043.7**
932.6	Agricultural Commodities	38.8
218.0	*Soybeans*	
144.8	*Corn*	
123.6	*Wheat*	
112.7	*Cotton*	.2
1,990.9	Non-Agricultural Commodities	4,004.7
242.8	*Wood & Lumber*	3.5
179.4	*Metal Ores & Scrap*	.5
171.9	*Coal*	
15.2	*Fishery Products*	99.8
1,177.2	*Manufactures & Semi-Manufactures*	3,875.2
247.5	*Chemicals*	*90.0*
9.5	*Textiles & Apparel*	*459.3*
4.7	*Iron & Steel Mill Products*	*812.1*
393.7	*Non-electrical Machinery*	*226.5*
24.8	*Telecom. Equipment*	*473.3*
22.0	*Automobiles & Trucks*	*291.0*
102.6	*Aircraft*	*15.4*
70.3	*Precision Instruments*	*142.8*
16.9	*Musical Instruments & Tape Recorders*	*199.3*
.2	*Footwear*	*79.7*

C. IMPORTANCE OF RESPECTIVE MARKETS (1968)

Japan's Share of Total U.S. Exports	8.6%
Japan's Share of Total U.S. Imports	12.3%
U.S. Share of Total Japanese Exports	31.5%
U.S. Share of Total Japanese Imports	27.2%
U.S. Per Capita Purchase from Japan	$20.22
Japanese Per Capita Purchases from U.S.	$28.95
Percentage of Imports from the U.S. to Japan's GNP	2.1%
Percentage of Imports from Japan to U.S. GNP	0.5%

continued on next panel

NOTE: Italic indicates subheading under previous heading.

D. **INVISIBLE TRADE ($ millions)**

	Japan's Payments	U.S. Payments
Transportation	900	441
Insurance	34	25
Travel	30	70
Income From Investments	380	153
Government	20	592
Others	474	148
Total	1,838	1,429

E. **VALUE OF DIRECT BILATERAL CAPITAL INVESTMENT**
(1968 year end value, $ millions)

U.S. direct investment in Japan		1048
Manufacturing	*521*	
Trade	*98*	
Other	*429*	
Japanese direct investment in the U.S.		181

7

GOLD AND FOREIGN EXCHANGE RESERVES

($ millions)

	1963	1968	Gold Content (1968)	Percent of Annual Imports (1968)
Japan	1,878	2,906	(356)	22.8
U.S.	16,843	15,710	(10,892)	47.4

8

FLOW OF FINANCIAL RESOURCES TO LESS DEVELOPED COUNTRIES, 1968

(Includes Long Term Export Credits, $ millions)

		% of GNP
Japan	1,049	0.74
U.S.	5,676	0.65

December, 1969

United States Japan

A Comparison of Trade and Economic Data

Published by the UNITED STATES-JAPAN TRADE COUNCIL, INC., 1000 Connecticut Avenue, Washington, D.C. 20036, a non-profit trade association with a membership of over 700 firms in the United States interested in fostering trade relations between the two countries. Because a substantial contributing member, the Japan Trade Promotion Office, 39 Broadway, New York, New York, is financed from Japan, the Council is registered with the Department of Justice under the provisions of 22 U.S.C. Sec. 611 et seq. as an agent of such foreign principal. Copies of the Council's registration statement are available for public inspection in Department of Justice files. Registration does not indicate approval of the contents of this pamphlet by the United States Government.

The CHAIRMAN. I apologize for keeping you so long. But this is an important subject, and we had a lot of questions to ask.

Mr. STITT. I appreciate that.

[On the morning of Thursday, June 11, 1970, Congressman John W. Byrnes of Wisconsin sought and received recognition to present a statement relative to the testimony which Mr. Nelson Stitt had presented on May 19, 1970, and which appears above. The statement which was made by Mr. Byrnes, along with the reappearance on June 11 of Mr. Nelson Stitt in connection with the statement made by Mr. Byrnes, appears below. Those proceedings are printed at this point in accordance with a unanimous consent agreement.]

THURSDAY, JUNE 11, 1970

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Al Ullman presiding.

Mr. ULLMAN. The committee will come to order.

Mr. BYRNES. Mr. Chairman?

Mr. ULLMAN. Mr. Byrnes.

STATEMENT OF HON. JOHN W. BYRNES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN, AND A MEMBER OF THE COMMITTEE ON WAYS AND MEANS

Mr. BYRNES. Before we proceed with the witnesses, I would like to make a brief statement and a request of the committee. It arises out of the testimony before this committee on May 19 by a Mr. Nelson A. Stitt on behalf of what was called the United States-Japan Trade Council, which he purported to represent. He advised the committee at that time that his organization was, and I will quote, "an association of approximately 800 firms doing business in the United States and interested in promoting healthy trade between the two countries."

Since then information has come to my attention that the United States-Japan Trade Council, it would appear, is really a front for the Japanese Embassy and the Japanese Government. The organization did file a statement, as is required, with the Justice Department and it showed income to the organization of $171,992 from the Japanese Government via a circuitous route during the second half of 1969.

The only other income of this organization was $2,280 from its membership dues during that period. It would appear, therefore, that on a monetary basis, 98 percent of the testimony of the so-called United States-Japan Trade Council was in behalf of the Japanese Government and only 2 percent for the 800 firms.

Under these circumstances, it seems to me that the committee was intentionally misled as to who Mr. Stitt really was appearing for on May 19. It appears this was deceptive, and in light of this, I would ask that Mr. Stitt's testimony on that day be stricken, at least until this whole matter is thoroughly examined and straightened out.

I think this case also points out the great need for committee witnesses to identify their principals. I think the members of the committee have a right to know whom and what these witnesses represent. A failure to make such a disclosure is a disservice not only to the committee, but to the American people as well, because our hearings are published as public documents and are open to all for use as primary information sources.

It seems to me that we must preserve the integrity of these proceedings. Certainly I am not suggesting that the Japanese Government, if it desires to have somebody represent it before this committee to express its views, has no right to do so. But as for a witness who comes here and purports to speak for 800 businesses, and presents himself on that basis, when in truth and in fact the organization that he appears for is financed 98 percent by the Japanese Embassy and the Japanese Government, that is a distortion and is misleading as far as the testimony given to this committee is concerned.

If the Chair desires to do so, it is perfectly all right to hold my motion in abeyance. But I would request that the testimony given to us under these circumstances be stricken from the record, or not appear in the printed record, until we have a chance to examine thoroughly the information that has been developed.

Mr. ULLMAN. Mr. Byrnes, this is an extremely serious matter. The committee certainly is appreciative of your digging into this matter.

If the gentleman does not object, I will ask that the matter be held in abeyance and that the staff and the committee study the matter.

Mr. BYRNES. I would suggest, Mr. Chairman, that Mr. Stitt be invited to appear at some convenient time before the committee if he desires to do so, to explain this situation and respond also to any further questions that we may have with regard to this matter and to his testimony on the 19th.

Mr. ULLMAN. It is the policy of this committee to schedule organizations incorporated in the United States as witnesses. So, without objection then, this matter will be held in abeyance and a study made by the staff and the members of the committee.

* * * * * * *

The CHAIRMAN. Any further questions?

If not, again we thank you, Mr. McMillan, for coming, and also Mr. Phillips, for accompanying Mr. McMillan.

The CHAIRMAN. The Chair desires to break into the schedule of witnesses momentarily and call to the witness table Mr. Nelson Stitt.

We are following this unusual procedure in view of action that occurred earlier this morning in the committee, in order to give Mr. Stitt an opportunity to respond to the statements that were made, and to enlighten us with respect to the situation.

STATEMENT OF NELSON A. STITT, DIRECTOR, UNITED STATES-JAPANESE TRADE COUNCIL

Mr. STITT. Mr. Chairman and committee members:

I was surprised to discover that at the opening of these hearings this morning Representative Byrnes took the opportunity to issue a statement that I resent and I believe most of the members of my United States-Japan Trade Council would resent. I do not argue too much with the facts involved in that statement, but I would like to make a few comments upon it.

First, it was clearly stated by Mr. Byrnes that my appearance here was to intentionally mislead the committee and called it outright deception and failure to make disclosure and purporting to speak for 800 businesses in the United States. Part of his statement was that our United States-Japan Trade Council was a front organization for the Japanese Embassy and Government.

Now for the facts. It is entirely true that about 95 percent of the financing of our Council emanates in Japan and emanates from the Government of Japan. I should like to go into the history of the Council a little.

This organization was formed by me in 1955. At that time it was called the Council for Improved United States-Japanese Trade Relations, and was financed then by the Cotton Spinners Association of Osaka, Japan, with 17 American members. It was formed because at that time the U.S. cotton textile industry was putting on a tremendous campaign to obtain quotas on cotton textiles and we felt the need for somebody to counter some of these misleading statements, and I am using "misleading" purposely, that were being put forth.

Well, Japan finally entered into voluntary cotton textile quotas. At that point, of course, the cotton spinners in Japan decided there was no longer a need for an organization of this type and dropped their support. In the meantime, however, the Japanese Government had been watching the operation of the then-infant council and decided that such a Council, speaking for liberal trade principles, was worthwhile.

They asked me, would I be willing to head a continuation of the Council for Improved United States-Japanese Trade Relations? And of course they offered financial support. Therefore, in 1956 we incorporated the Council, changed its name to the United States-Japan Trade Council, in the District of Columbia as a nonprofit trade association.

Now when the statement is made that I am purporting to speak for 800—incidentally, I said 800 firms doing business in the United States—I would like to say that these 800 businesses doing business in the United States are independent members of the Council and they joined the Council, knowing of our liberal trade policies and wishing to support us in this endeavor.

Of the 800 I can say that about 150 are Japanese trading firms also incorporated in the United States. The remaining 650 companies are purely U.S. owned and operated. So, I don't think I was misleading the committee.

In the second place, copies of my testimony which were provided to all members of the committee, the committee was provided with 75 copies, if you notice there is a label on the bottom which is required by the Foreign Agents' Registration Act and which clearly indicates that we are being supported by a foreign principal.

In fact, all I can say about Mr. Byrnes' statement is what is new? I think everybody in town knows. We have been in existence now for almost 20 years, everybody in town knows we speak in the cause of the Japanese trade. I think most people would say our materials are objective, that we don't try to lie.

One more point I would like to make is that we are definitely not a propaganda arm of the Japanese Government. The Japanese Government supports us. However, it does not dictate our policies, it does not dictate our positions which are formed by the officers of the council, of which I am the principal officer.

They support us because they believe there is a need for an organization to support a liberal trade cause and particularly between these two countries. In fact, I can say this: That we were one of the first organizations in Washington to bring pressure upon Japanese business and Japanese Government to hasten the relaxation of their various remaining foreign restrictions and to hasten their liberalization to import investment—I mean, U.S. investment and other foreign investment in Japan, because we believed this was in the cause of free and liberal trade also.

So, it should be understood we frequently take positions that are at variance with positions, official positions, of the Japanese Government.

Mr. Chairman, referring back to a year or so ago, did I not work with you in trying to bring about some kind of understanding whereby imports of steel might be restricted?

The CHAIRMAN. You did.

Mr. STITT. Because we both felt it might be in the interest of the U.S. steel industry.

The CHAIRMAN. You did.

Mr. STITT. Did not these voluntary statements come about?

The CHAIRMAN. I thought largely because of you and Tony Solomon working together.

Mr. STITT. Well, I am glad you said that, sir, because it is true. Now I must reiterate, I resent the notion that I am purporting to speak for our membership, that I am a front organization for the Japanese Government, that we have failed to make disclosure.

One of the requirements of the Foreign Agents Registration Act, incidentally, is that we supply, the Foreign Agents Registration Act has one provision which says any foreign agent which appears before a committee of the Congress must supply the committee with the most recent copy of its registration statement.

This was so done and handed to a member of your staff before I took the stand last week. So, we have complied with the law. We have openly disclosed. We have complied with the law meticulously.

One final point. I think many of your witnesses, Mr. Chairman, I suspect, are also being substantially financed from abroad but have not been as meticulous as we in reporting our activities and our financing to the Department of Justice as required by law.

Mr. BURKE. Mr. Chairman, I ask unanimous consent that this paper that has been furnished the staff be included in the record at this point.

The CHAIRMAN. Without objection.

Mr. STITT. I did not understand that, sir.

The CHAIRMAN. The paper that you handed to the staff.

Mr. STITT. The foreign agent registration statement?

Mr. BURKE. Be included in the record at this point.

Mr. STITT. May I ask that our list of members, which I believe has been submitted to the committee, also be included in the record.

The CHAIRMAN. We did not include those when you appeared?

Mr. STITT. You did not include all the membership?

The CHAIRMAN. I am asking you. I don't think we did. If we didn't, they will appear at this point in the record then.

Mr. STITT. Fine, thank you, sir.

(The documents referred to follow:)

46-127 O—70—pt. 4——11

Membership List

SEPTEMBER, 1969

UNITED STATES-JAPAN TRADE COUNCIL
1000 CONNECTICUT AVENUE, WASHINGTON, D. C.

A & A Trading Corp.
23-25 East 26 Street
New York, N.Y. 10010

A & S Corporation
P.O. Box 339
Verona, N.J. 07044

Abbott Distributing Co.
915 Selby Street
El Segundo, Calif. 90246

Accura, Ltd.
135 Northern Blvd.
Flushing, N.Y. 13354

The Acme Shear Company
100 Hicks Street
Bridgeport, Conn. 06609

W. A. Adams Company, Inc.
P.O. Box 159
Oxford, N.C. 27565

Airguide Instrument Company
2210 Wabansia Avenue
Chicago, Ill. 60647

Air-Sea Forwarders, Inc.
10425 La Cienega Blvd.
Los Angeles, Calif. 90045

Ajax Hardware Corp.
825 So. Ajax Avenue
City of Industry, Calif. 91747

Ajinomoto Company of New York, Inc.
1212 Squibb Bldg.
745 Fifth Avenue
New York, N.Y. 10022

Aladdin Industries, Inc.
703 Murfreesboro Road
Nashville, Tenn. 37210

Alaska Dept. of Economic Development
Pouch EE
Juneau, Alaska 99801

Alaska Lumber & Pulp Co., Inc.
1001 Fourth Avenue
Seattle, Wash. 98104

Alba Forwarding Co., Inc.
30 Vesey Street
New York, N.Y. 10007

Norman Albin & Assoc., Inc.
4343 W. Ohio Street
Chicago, Ill. 60624

Robert Z. Aliber
Graduate School of Business
University of Chicago
Chicago, Ill. 60637

All American Trading Corp.
11 West 42nd Street
New York, N.Y. 10036

H. F. Allenby Co.
230 W. 41st Street
New York, N.Y. 10036

J. M. Altieri
P.O. Box 1781
San Juan, Puerto Rico 00903

American Chamber of Commerce in Japan
701 Tosho Bldg.
14, 3-chome, Marunouchi,
Chiyoda-ku
Tokyo, Japan

American Commercial Incorporated
3700 South Broadway Place
Los Angeles, Calif. 90007

American Export Isbrandtsen Lines, Inc.
26 Broadway
New York, N.Y. 10004

American Fletcher National Bank and Trust Company
108 North Pennsylvania Street
Indianapolis, Ind. 46204

The American Import Company
1167 Mission Street
San Francisco, Calif. 94103

American Koyo Corporation
500 Westgate Tower
Cleveland, Ohio 44116

American Metal Climax, Inc.
1270 Avenue of the Americas
New York, N.Y. 10020

American Plywood Association
1119 "A" Street
Tacoma, Wash. 98401

1625 I Street, N.W.
Washington, D.C.

American President Lines
601 California Street
San Francisco, Calif. 94108

American Roland Corporation
16 Hudson Street
New York, N.Y. 10013

American Safety Equipment Corp.
15300 Ventura Boulevard
Suite 320
Sherman Oaks, Calif. 91403

American-Standard
50 West 40th Street
New York, N.Y. 10018

American Surveys International
2000 P Street, N.W.
Washington, D.C. 20036

American Thermo-Ware Company
16 Warren Street
New York, N.Y. 10007

Ampco Metal, Inc.
P.O. Box 2004
Milwaukee, Wisc. 53201

Ampex Corporation
2201 Landmeier Road
Elk Grove Village, Ill. 60007

Amsterdam Corporation
41 East 52nd Street
New York, N.Y. 10017

Amthor Imports, Inc.
2598 Taylor Street
San Francisco, Calif. 94133

Anchor Sales Corporation
205 Bush Street
Brooklyn, N.Y. 11231

Arthur Andersen & Co.
1345 Avenue of the Americas
New York, N.Y. 10019

69 West Washington Street
Chicago, Ill. 60602

Angel-Etts of Calif., Inc.
3384 Robertson Place
Los Angeles, Calif. 90034

Angove-Rex Corporation
17000 West Eight Mile Road
Southfield, Mich. 48075

Apex Coated Fabrics Co., Inc.
12-16 East 22nd Street
New York, N.Y. 10010

Argus Incorporated
2080 Lunt Avenue
Elk Grove Village, Ill. 60007

Aristo-Craft Distinctive Miniatures
314 Fifth Avenue
New York, N.Y. 10001

Asahi Chemical Industry Co.
350 Fifth Avenue
New York, N.Y. 10001

Associated Button Co., Inc.
920 Broadway
New York, N.Y. 10010

Ataka America, Inc.
69 West Washington Street
Chicago, Ill. 60602

633 Third Avenue
New York, N.Y. 10017

Athletic Goods Manufacturers Assoc.
805 Merchandise Mart
Chicago, Ill. 60654

Atlantic Aluminum & Metal Distributors
177 Page Blvd.
Springfield, Mass. 01104

Authentic Furniture Products
607 Nash Street
El Segundo, Calif. 90245

B & B Import-Export Co.
15755 Wyoming Avenue
Detroit, Mich. 48238

Bache & Co.
36 Wall Street
New York, N.Y. 10005

Charles V. Bacon, Inc.
90 West Street
New York, N.Y. 10006

H. J. Baker & Bros., Inc.
733 Third Avenue
New York, N.Y. 10017

Baker & McKenzie
Prudential Plaza—Suite 700
Chicago, Ill. 60601

William M. Baker, Inc.
207 East 37th Street
New York, N.Y. 10016

A. Baldwin & Co., Inc.
822 Perdido Street
New Orleans, La. 70112

Balfour, Guthrie & Co., Ltd.
P.O. Box 3863
One Maritime Plaza
San Francisco, Calif. 94119

The Bank of Japan
One Chase Manhattan Plaza
New York, N.Y. 10005

The Bank of Kobe, Ltd.
40 Wall Street
New York, N.Y. 10005

The Bank of Tokyo, Ltd.
40 N. Dearborn Street
Chicago, Ill. 60602

1021 Main Street
Houston, Texas 77002

649 So. Spring Street
Los Angeles, Calif. 90014

100 Broadway
New York, N.Y. 10005

411 S.W. 6th Avenue
Portland, Ore. 97204

301 California Street
San Francisco, Calif. 94120

The Bank of Tokyo of California
64 Sutter Street
San Francisco, Calif. 94120

The Bank of Tokyo Trust Co.
100 Broadway
New York, N.Y. 10005

Barber Steamship Line
17 Battery Place
New York, N.Y. 10004

Bard Universal Corporation
5 Beekman Street
New York, N.Y. 10038

Barth & Dreyfuss
2260 East Fifteenth Street
Los Angeles, Calif. 90021

Baser & Company, Inc.
440 N. La Brea
Los Angeles, Calif. 90036

Baxter International
6301 Lincoln Avenue
Morton Grove, Ill. 60053

Bell & Howell Company
7100 McCormick Road
Chicago, Ill. 60645

Bendix International
111 West 50th Street
New York, N.Y. 10020

Benicia Port Terminal Co.
P.O. Box 315
Benicia, Calif. 94510

Biddle Sawyer Corporation
64 Wall Street
New York, N.Y. 10005

Bien Trading Company, Inc.
105 Hudson Street
New York, N.Y. 10013

Birmingham Overseas, Inc.
950 E. Maple Road
Birmingham, Mich. 48011

BLH Electronics
42 Fourth Avenue
Waltham, Mass. 02154

The Black & Decker Mfg. Co.
P.O. Box 1
Hempstead, Md. 21074

Blue Sea Line
30 Church Street
New York, N.Y. 10007

Bollinger, Inc.
523 West 6th Street
Los Angeles, Calif. 90014

Bond Manufacturing Co.
530 So. 11th Street
Richmond, Calif. 94804

Borneo Sumatra Trading Co., Inc.
30 Park Avenue
Rutherford, N.J. 07070

Bostitch, Inc.
Briggs Drive
East Greenwich, R.I. 02818

Botsford-Ketchum, Inc.
90 Park Avenue
New York, N.Y. 10016

Bourns, Inc.
1200 Columbia Avenue
Riverside, Calif. 92507

Brettler International Sales Corp.
135 West 50th Street
New York, N.Y. 10020

C. Brewer & Co., Ltd.
P.O. Box 3470
Honolulu, Hawaii 96801

Brice Company
P.O. Box 13150
Houston, Texas 77019

Bridgestone Tire Co., Ltd.
350 Fifth Avenue
New York, N.Y. 10001

Samuel Brilliant Co.
281 Summer Street
Boston, Mass. 02210

British Overseas Airways Corp.
245 Park Avenue
New York, N.Y. 10017

Bronson, Bronson and McKinnon
255 California Street
San Francisco, Calif. 94111

Brother International Corporation
680 Fifth Avenue
New York, N.Y. 10019

Brown Brothers Harriman & Co.
59 Wall Street
New York, N.Y. 10005

Brufsky and Staas
1819 H Street, N.W.
Washington, D.C. 20006

C. Bruno & Son, Inc.
55 Marcus Drive
Melville, L.I., N.Y. 11746

James M. Buchanan & Co.
25511 Southfield Road
Southfield, Mich. 48075

Bufkor Incorporated
588 Monroe Street
Buffalo, N.Y. 14240

Bunge Far East Agencies
40 Nassau Street
New York, N.Y. 10005

A. L. Burbank & Company, Ltd.
120 Wall Street
New York, N.Y. 10005

Burlington Industries, Inc.
1345 Avenue of the Americas
New York, N.Y. 10019

Geo. S. Bush & Co., Inc.
900 Board of Trade Bldg.
Portland, Ore. 97204

Bushnell International Inc.
2828 E. Foothill Blvd.
Pasadena, Calif. 91107

Business Equipment Company
517 Market Street
San Francisco, Calif. 94105

Business International Corp.
1625 Eye Street, N.W.
Washington, D.C. 20006

Butler Building Products, Inc.
13500 West Silver Spring
Butler, Wisc. 53007

W. J. Byrnes & Co.
125 West Fourth Street
Los Angeles, Calif. 90013

CBS Steel, Inc.
250 West 57th Street
New York, N.Y. 10019

Calavo
4833 Everett Avenue
Los Angeles, Calif. 90058

Calgon Corporation
Box 1346, Calgon Center
Pittsburgh, Pa. 15230

Alexander C. Calhoun, Jr.
310 Sansome Street
San Francisco, Calif. 94111

California Commodities Corp.
220 Jackson Street
San Francisco, Calif. 94111

California Council for Int'l Trade
303 World Trade Center
San Francisco, Calif.

Cambridge Research Institute
17 Mount Auburn Street
Cambridge, Mass. 02138

Canton-Son, Inc.
12 West 27th Street
New York, N.Y. 10001

Capri International, Inc.
7070 Colonial Highway
Pennsauken, N.J. 08109

Cardinal China Company
Box D
Carteret, N.J. 07008

Carfel Imports Supply, Inc.
121 S.E. First Street
Miami, Fla. 33131

John V. Carr & Son, Inc.
P.O. Box 1918
Detroit, Mich. 48231

Carter, Berlind & Weill, Inc.
55 Broad Street
New York, N.Y. 10004

Castelazo & Associates
408 South Spring Street
Los Angeles, Calif. 90013

A. M. Castle & Company
801 North Kresson Street
Baltimore, Md. 21205

Castner, Curran & Bullitt, Inc.
60 East 42nd Street
New York, N.Y. 10017

Central Pacific Bank
P.O. Box 3590
50 North King Street
Honolulu, Hawaii 96811

Century Steel Corporation
300 East Joe Orr Road
Chicago Heights, Ill. 60411

Chadwick-Miller, Inc.
690 Dudley Street
Boston, Mass. 02125

J. Chein & Company
William Street
Burlington, N.J. 08016

Chemical Bank New York Trust Co.
20 Pine Street
New York, N.Y. 10015

The Chicago-Tokyo Bank
P.O. Box 457
Chicago, Ill. 60690

Chori New York, Inc.
350 Fifth Avenue
New York, N.Y. 10001

Chubb & Son, Inc.
90 John Street
New York, N.Y. 10038

Cincinnati Sheet Metal & Roofing Co.
1725 Eastern Avenue
Cincinnati, Ohio 45202

Cities Service International, Inc.
60 Wall Street
New York, N.Y. 10005

Citizens & Southern National Bank
P.O. Box 4899
Atlanta, Ga. 30302

Clinton, Moats, Andersen & Fleck
1302 Hoge Building
Seattle, Wash. 98104

Coco Cola Export Corporation
515 Madison Avenue
New York, N.Y. 10022

James A. Cole Company, Inc.
235 Park Avenue South
New York, N.Y. 10003

Cole Commercial Company, Inc.
1210 Norton Building
Seattle, Wash. 98104

Comac Company
1500 North Woodward
Birmington, Mich. 48011

Dr. Salvatore Comitini
University of Hawaii
1110 University Ave., Rm. 401
Honolulu, Hawaii 96814

Department of Commerce & Economic Development
General Administration Bldg.
Olympia, Wash. 98501

Conference of American Small Business Organizations, Inc.
407 South Dearborn Street
Chicago, Ill. 60605

Consolidated Freightways
193 China Basin
San Francisco, Calif. 94107

Consolidated Merchandising Co.
59-50 Queens Midtown Expressway
Maspeth, L.I., N.Y. 11378

Consolidation Coal Company
245 Park Avenue
New York, N.Y. 10017

Consul & Mutoh, Ltd.
519 Davis Street
Evanston, Ill. 60201

Continental Bank International
71 Broadway
New York, N.Y. 10006

Continental Grain Company
2 Broadway
New York, N.Y. 10004

Continental Illinois National Bank & Trust Company of Chicago
231 South La Salle Street
Chicago, Ill. 60690

M. S. Cowen Company
1399 Battery Street
San Francisco, Calif. 94111

Cox, Langford & Brown
1521 New Hampshire Ave., N.W.
Washington, D.C. 20036

Craig Corporation
2302 East 15th Street
Los Angeles, Calif. 90021

Creative Merchandising, Inc.
1805 South Bellaire Street
Denver, Colo. 80222

Crocker-Citizens National Bank
One Sansome Street
San Francisco, Calif. 94120

The Cross Company
17801 Fourteen Mile Road
Fraser, Mich. 48026

Cullman Wheel Company
205 Huehl Road
Northbrook, Ill. 60062

Culver Electronic Sales, Inc.
P.O. Box 6004
317 Glasgow Avenue
Inglewood, Calif. 90301

D-M-E Corporation
29111 Stephenson Hwy.
Madison Heights, Mich. 48071

Daido Corporation
7020 Lawndale Avenue
Lincolnwood, Ill. 60645

4100 West Side Avenue
North Bergen, N.J. 07047

Daido Steel Company, Ltd.
200 Park Avenue
New York, N.Y. 10017

The Dai-Ichi Bank, Ltd.
120 Broadway
New York, N.Y. 10005

One First National Plaza
Chicago, Ill. 60670

Dai Ichi International
209 East 56th Street
New York, N.Y. 10022

The Daiwa Bank, Ltd.
140 Broadway
New York, N.Y. 10005

The Daiwa Securities Co. (America)
26 Broadway
New York, N.Y. 10004

Daiwa Spinning Co., Ltd.
50 Broadway
New York, N.Y. 10004

R. Dakin and Co.
60 Park Lane
Brisbane, Calif.

Danly Machine Corporation
2100 S. Laramie Avenue
Chicago, Ill. 60650

DEA Products, Inc.
945 West 23rd Street
Tempe, Arizona 85281

DeBell & Richardson, Inc.
Water Street
Hazardville, Conn. 06036

Deepwater Chemical Co., Ltd.
P.O. Box 4636
Compton, Calif. 90224

John Deere Intercontinental Ltd.
400 19th Street
Moline, Ill. 61625

Del Monte Corp.
215 Fremont Street
San Francisco, Calif. 94119

Delli, Inc.
682 Mission Street
San Francisco, Calif. 94105

Delrey International, Inc.
P.O. Box 907
Sausalito, Calif. 94965

Delta Overseas Co., Inc.
175 Fifth Avenue
New York, N.Y. 10010

Dentsu Advertising Ltd.
505 Fifth Avenue
New York, N.Y. 10017

Detroit Bank & Trust Co.
211 Fort Street West
Detroit, Mich. 48226

Detroit Bolt & Nut Co.
17000 Southfield Road
Allen Park, Mich. 48101

Dietzco Corporation
1895 Federal Street
Camden, N.J. 08105

Dillingham Corporation
P.O. Box 3468
Honolulu, Hawaii 96801

Diversified Wire & Steel Corp. of America
12320 Woodruff Avenue
Downey, Calif. 90241

Dodwell & Co., Ltd.
120 Wall Street
New York, N.Y. 10005

Donner Manufacturing Co.
12860 Bradley Avenue
Sylmar, Calif. 91342

Joseph F. Donohue
39 Broadway
New York, N.Y. 10006

Dorsid Trading Company
P.O. Box 20407
Houston, Tex. 77025

Laurence P. Dowd
San Francisco State College
1600 Holloway
San Francisco, Calif. 94132

L. A. Dreyfus Company
P.O. Box 500
South Plainfield, N.J. 07080

Louis Dreyfus Corporation
26 Broadway
New York, N.Y. 10004

DuBois Chemicals Division
W. R. Grace & Co.
634 Broadway
Cincinnati, Ohio 45202

Bruce Duncan Company, Inc.
417 South Hill Street
Los Angeles, Calif. 90013

Earnest Machine Products Co.
12716 Triskett Road
Cleveland, Ohio 44116

The East Asiatic Co., Inc.
700 Wilshire Blvd.
Los Angeles, Calif. 90017

Eaton Yale & Towne Int'l. Group
100 Erieview Plaza
Cleveland, Ohio 44114

Edgcomb International Corp.
99 Woodfield Drive
Short Hills, New Jersey 07078

Fred W. Edwards
320 N. Merrill Avenue
Park Ridge, Ill. 60068

Ehrenreich Photo-Optical Industries, Inc.
623 Stewart Avenue
Garden City, N.Y. 11533

Eisenberg & Co., U.S.A. Agency, Inc.
4 East 39th Street
New York, N.Y. 10016

Electronic Industries Assoc.
2001 Eye Street, N.W.
Washington, D.C. 20006

Elliott Knitwear Corp.
34 West 33rd Street
New York, N.Y. 10001

Elsman, Young & O'Rourke
2034 Guardian Bldg.
Detroit, Mich. 48226

Endo International Corp.
35-27 Vernon Blvd.
Long Island City, N.Y. 11106

Engis Equipment Co.
8035 Austin Avenue
Morton Grove, Ill. 60053

Enomoto & Co.
1201 Redwood Avenue
Redwood City, Calif. 94061

Equipment Investors, Inc.
1201 South Clover Drive
Minneapolis, Minn. 55420

Ernst & Ernst
140 Broadway
New York, N.Y. 10005

Evans Cooperage Co., Inc.
P.O. Box 95
Harvey, La. 70058

Everett Steamship Corporation
P.O. Box E
San Mateo, Calif. 94402

The Export-Import Bank of Japan
1901 Pennsylvania Ave., N.W.
Washington, D.C. 20006

Fallek Products Co., Inc.
4 West 58th Street
New York, N.Y. 10019

Herman A. Falstein
P.O. Box 9395
Washington, D.C. 20005

Famous Raincoat Co., Inc.
36 West 25th Street
New York, N.Y. 10010

Far East Mercantile Corp.
50 E. 42nd Street
New York, N.Y. 10017

Far Eastern Commodities Corp.
82 Wall Street
New York, N.Y. 10005

The Fastron Co.
11800 Franklin Avenue
Franklin Park, Ill. 60131

Federal-Mogul Corp.
P.O. Box 1966
Detroit, Mich. 48235

Fehr Bros. Manufacturers, Inc.
110 Wall Street
New York, N.Y. 10005

Fen-Tone Corporation
106 Fifth Avenue
New York, N.Y. 10011

Thomas H. Ferree
28 Marinero Circle
Tiburon, Calif. 94920

Ferro Union Corporation
595 Madison Avenue
New York, N.Y. 10022

First National Bank of Arizona
P.O. Box 2551
Phoenix, Arizona 85002

First National Bank of Oregon
400 S.W. Sixth Avenue
Portland, Ore. 97208

The Flying Tiger Line Inc.
7401 World Way West
L.A. International Airport
Los Angeles, Calif. 90009

FMC International
P.O. Box 1178
San Jose, Calif. 95106

Foodmaker, Inc.
P.O. Box 783
San Diego, Calif. 92112

Foreign Traders Inc.
P.O. Box 1103
Tacoma, Wash. 98401

Fort Worth Grain Exchange
P.O. Box 4422
Fort Worth, Texas 76106

Foster Wheeler Corp.
110 So. Orange Avenue
Livingston, N.J. 07039

1701 Pennsylvania Ave., N.W.
Washington, D.C. 20006

The Foxboro Company
38 Neponset Avenue
Foxboro, Mass. 02035

Samuel Frankel, Esq.
20 Fifth Avenue
New York, N.Y. 10011

Freedman & Slater, Inc.
11 Broadway
New York, N.Y. 10004

Friedman-Marks Clothing Co., Inc.
1400 W. Marshall Street
Richmond, Va. 23220

Arthur J. Fritz & Co.
244 Jackson Street
San Francisco, Calif. 94111

The Fuji Bank Ltd.
1 Chase Manhattan Plaza
New York, N.Y. 10005

Fuji Industries Corporation
26 Broadway
New York, N.Y. 10004

Fuji Iron & Steel Co., Ltd.
612 So. Flower Street
Los Angeles, Calif. 90017

90 Park Avenue
New York, N.Y. 10016

Fuji Spinning Co., Ltd.
55 West 39th Street
New York, N.Y. 10018

Yusaku Furuhashi
University of Notre Dame
Notre Dame, Ind. 46556

Gannet Freighting Incorporated
29 Broadway
New York, N.Y. 10006

General Instrument Corporation
65 Gouverneur Street
Newark, N.J. 07104

General International Lites Corp.
421 Bell Street Terminal
Seattle, Wash. 98121

Genic Export-Import Co., Inc.
101 West 31st Street
New York, N.Y. 10001

J. Gerber & Co., Inc.
855 Avenue of the Americas
New York, N.Y. 10001

Gibbs-McCormick, Inc.
111 Pine Street
San Francisco, Calif. 94111

Rolf Gille Import Company
284 Noe Street
San Francisco, Calif. 94114

Gitkin Company
One Taft Road
Totowa, N.J. 07512

Given International
3855 Santa Fe Avenue
Los Angeles, Calif. 90058

Walter H. Glass
159 Madison Avenue
New York, N.Y. 10016

Gleason Works
1000 University Avenue
Rochester, N.Y. 14603

Globemaster, Inc.
9714 Old Katy Road
Houston, Texas 77055

Granberg Supply Co., Inc.
P.O. Box 2089
Oakland, Calif. 94604

W. T. Grant Company
1441 Broadway
New York, N.Y. 10018

Graubard & Moskovitz
Forty Wall Street
New York, N.Y. 10005

Gulf and Western Industries
Industrial Products Div.
420 50th Street, S.W.
Grand Rapids, Mich.

Gunze New York, Inc.
385 Fifth Avenue
New York, N.Y. 10016

Hagedorn & Company
1 Liberty Street
New York, N.Y. 10005

Hampton Roads Mfg. Corp.
823 W. Pembroke Avenue
Hampton, Va. 23369

Hangsterfer's Laboratories, Inc.
Ogden Road
Mantua, N.J. 08051

M. W. Hardy & Co., Inc.
111 Broadway
New York, N.Y. 10006

Harris Sales Co.
210 Center Street
Los Angeles, Calif. 90012

Hart, Schaffner & Marx
36 So. Franklin Street
Chicago, Ill. 60606

Hawley Fuel Corporation
630 Third Avenue
New York, N.Y. 10017

David A. Hayden
612 So. Flower Street
Los Angeles, Calif. 90017

Heany Industries, Inc.
P.O. Box 38, Fairview Drive
Scottsville, N.Y. 14546

Heemsoth-Kerner Corp.
26 Beaver Street
New York, N.Y. 10004

Heidi's Inc.
107 Washington Street
New York, N.Y. 10006

Hensel, Bruckmann & Lorbacher, Inc.
100 Church Street
New York, N.Y. 10007

John B. Hering Company
701 World Trade Building
Portland, Oregon 97204

Hiraoka New York, Inc.
1225 Broadway
New York, N.Y. 10001

G. Hirsch & Sons, Inc.
1040 Avenue of the Americas
New York, N.Y. 10018

Hitachi New York, Ltd.
437 Madison Avenue
New York, N.Y. 10022

Prof. Leon Hollerman
Pitzer Hall
Claremont Men's College
Claremont, Calif. 91711

Holmar International Corporation
174 Passaic Street
Garfield, N.J. 07026

Douglas Homs Corporation
1538 Industrial Way
Belmont, Calif. 94002

Honeywell Inc.
70 Walnut Street
Wellesley Hills, Mass. 02181

Hong Kong & Shanghai Banking Corp.
80 Pine Street
New York, N.Y. 10005

Horikoshi New York, Inc.
55 West 42nd Street
New York, N.Y. 10036

Masaaki Hotta
345 Pine Street
New York, N.Y. 10005

Houdaille International
4309 Transworld Road
Schiller Park, Ill. 60176

Houdry Process & Chemical Co.
1339 Chestnut Street
Philadelphia, Pa. 19107

S. Y. Huang & Co.
714 South Burlington Avenue
Los Angeles, Calif. 90057

John Hull Cutlers Corporation
1239 Broadway
New York, N.Y. 10001

Hydramet American, Inc.
4716 Delemere Blvd.
Royal Oak, Mich. 48073

Hypo Surgical Supply Corp.
11 Mercer Street
New York, N.Y. 10013

Idemitsu International Inc.
630 Fifth Avenue
New York, N.Y. 10020

Iino Kaiun Kaisha, Ltd.
40 Wall Street
New York, N.Y. 10005

Ikeda International Corp.
74 West 47th Street
New York, N.Y. 10036

Ikegama Electronics Industries Inc. of N.Y.
35-27 31st Street
Long Island City, N.Y. 11106

Imperial International Corp.
1776 Broadway
New York, N.Y. 10019

Imperial Pearl Syndicate, Inc.
5 No. Wabash Avenue
Chicago, Ill. 60602

Imported Hardwood Products Assn., Inc.
World Trade Center
Ferry Building
San Francisco, Calif. 94111

Imsport
430 S.W. Morrison Street
Portland, Ore. 97204

Indussa Corporation
605 Third Avenue
New York, N.Y. 10016

Industrial Bank of Japan, Ltd.
30 Broad St.
New York, N.Y. 10004

Industrial Fasteners Institute
1505 East Ohio Bldg.
Cleveland, Ohio 44114

J. F. Inglis Co., Inc.
160 Broadway
New York, N.Y. 10038

Instron Corporation
2500 Washington Street
Canton, Mass. 02021

Intercontinental Purchasing Corp.
Beaver Hill Bldg.
Jenkintown, Pa. 19046

Intercontinental Transport
1650 Pacific Coast Highway
Redondo Beach, Calif. 90277

Int'l Business Research Assoc.
World Trade Center
San Francisco, Calif. 94111

International Flavors & Fragrances Inc.
521 West 57th Street
New York, N.Y.

International Importers, Inc.
2242 So. Western Avenue
Chicago, Ill. 60608

International Paint Co., Inc.
220 South Linden Avenue
So. San Francisco, Calif. 94080

International Paper Company
220 E. 42nd Street
New York, N.Y. 10017

International Pipe & Ceramics Corp.
2901 Los Feliz Boulevard
Los Angeles, Calif. 90039

International Public Relations Co., Ltd.
230 Park Avenue
New York, N.Y. 10017

International Seaway Trading Corp.
1393 West 9th Street
Cleveland, Ohio 44113

International Trading Co.
22 West Pennsylvania Avenue
Baltimore, Md. 21204

Interocean Trading Co., Ltd.
381 Carroll Street
Brooklyn, N.Y. 11231

Ishikawajima-Harima Heavy Industries Co.
15 William Street
New York, N.Y. 10005

M. H. Ishizuka
230 Park Avenue
New York, N.Y. 10017

Isomet Corp.
433 Commercial Avenue
Palisades Park, N.J. 07650

Itek Corporation
10 Maguire Road
Lexington, Mass. 02173

Kenji Ito
250 East First Street
Los Angeles, Calif. 90012

C. Itoh & Co. (America) Inc.
245 Park Avenue
New York, N.Y. 10017

624 South Grand Avenue
Los Angeles, Calif. 90014

69 W. Washington Street
Chicago, Ill. 60602

ITT Corporation
1707 L Street, N.W.
Washington, D. C. 20036

ITT World Communications Inc.
370 Lexington Avenue
New York, N.Y. 10017

Japan Air Lines Co., Ltd.
37 South Wabash Avenue
Chicago, Illinois 60603

655 Fifth Avenue
New York, N.Y. 10020

1302 Fourth Avenue
Seattle, Washington 98101

1000 Connecticut Avenue
Washington, D. C. 20036

Japan Auto Parts Industries Assoc.
232 N. Michigan Avenue
Chicago, Illinois 60601

Japan Development Bank
1725 K Street, N.W.
Washington, D. C. 20006

Japan Development Bank
40 Wall Street
New York, N.Y. 10005

Japan Line, Ltd.
120 Wall Street
New York, N.Y. 10005

530 West 6th Street
Los Angeles, Calif. 90014

Japan Machine Tool Trade Assn.
2938 W. Peterson Avenue
Chicago, Ill. 60645

The Japan Monopoly Corp.
615 Oberlin Road
Raleigh, N.C. 27605

Japan National Tourist Org.
45 Rockefeller Plaza
New York, N.Y. 10020

333 No. Michigan Avenue
Chicago, Illinois 60601

Japan Productivity Center
1001 Connecticut Avenue, N.W.
Washington, D. C. 20036

The Japan Silk Association, Inc.
385 Fifth Avenue
New York, N.Y. 10016

Japan Society, Inc.
250 Park Avenue
New York, N.Y. 10017

Japan Trade Center
393 Fifth Avenue
New York, N.Y. 10016

232 N. Michigan Avenue
Chicago, Illinois 60601

1141 San Jacinto Bldg.
Houston, Texas 77002

727 West Seventh Street
Los Angeles, Calif. 90017

1737 Post Street
San Francisco, Calif. 94115

Japan Trade Promotion Office
39 Broadway
New York, N.Y. 10006

Japan Trader's Club of Los Angeles
606 South Hill Street
Los Angeles, Calif. 90014

Japan Travel Bureau International, Inc.
45 Rockefeller Plaza
New York, N.Y. 10020

Japanese Chamber of Commerce of N.Y.
39 Broadway
New York, N.Y. 10006

Japanese Chamber of Commerce of Northern California
World Trade Center
San Francisco, Calif. 94111

Japanese National Railways
45 Rockefeller Plaza
New York, N.Y. 10020

Jolyn Products, Inc.
866 Fifth Avenue
New York, N.Y. 10001

Hap Jones Distributing Company
2 Clinton Park
San Francisco, Calif. 94119

Harold W. Jones, Inc.
21 West Street
New York, N.Y. 10006

Nels Jorgenson & Company, Inc.
418 New Center Bldg.
Detroit, Mich. 48202

Jorgenson Bros.
P.O. Box 69
Pleasanton, Calif. 94566

"K" Line New York, Inc.
29 Broadway
New York, N.Y. 10006

K. Kachi Co. New York, Inc.
2 West 46th Street
New York, N.Y. 10036

Otto Kadmon, Inc.
1170 Broadway
New York, N.Y. 10001

T. Kakiuchi New York, Inc.
1271 Avenue of the Americas
New York, N.Y. 10020

Kalman Steel Products Co.
1117 Webster Street
Oakland, Calif. 94607

Kamei New York, Inc.
303 Fifth Avenue
New York, N.Y. 10016

Kanebo U.S.A. Inc.
350 Fifth Avenue
New York, N.Y. 10001

Kanematsu-Gosho (U.S.A.) Inc.
1 Whitehall Street
New York, N.Y. 10004

Kanematsu-Gosho (U.S.A.) Inc.
208 South LaSalle Street
Chicago, Ill. 60604

425 S.W. Washington Street
Portland, Ore. 97204

The Kansai Electric Power Co., Inc.
437 Madison Avenue
New York, N.Y. 10022

Norman Katz
276 Fifth Avenue
New York, N.Y. 10001

Kawai Piano (America) Corp.
24200 S. Vermont
Harbor City, Calif. 90710

Kawasaki Kisen Kaisha, Ltd.
530 West Sixth Street
Los Angeles, Calif. 90014

Kawasaki Steel Corporation
280 Park Avenue
New York, N.Y. 10017

Kemp & Beatley, Inc.
10 East 34th Street
New York, N.Y. 10016

Kerr Steamship Co., Inc.
29 Broadway
New York, N.Y. 10006

William B. Kessler, Inc.
1290 Avenue of the Americas
New York, N.Y. 10019

Kinsho-Mataichi Corporation
80 Pine Street
New York, N.Y. 10005

Kobe Mercantile, Inc.
P.O. Box #2223
San Diego, Calif. 92112

Kobe Steel Ltd.
529 Fifth Avenue
New York, N.Y. 10017

Kobe Trade Information Office
710 Second Avenue
Seattle, Wash. 98104

Kokusai Denshin Denwa Co., Ltd.
680 Fifth Avenue
New York, N.Y. 10019

Koppers International, C.A.
1401 Koppers Building
Pittsburgh, Pa. 15219

Kowa American Corporation
230 Fifth Avenue
New York, N.Y. 10001

Koyo International Inc.
330 Madison Avenue
New York, N.Y. 10017

Kurashiki Rayon Co., Ltd.
280 Park Avenue
New York, N.Y. 10017

Kurashiki Spinning Co., Ltd.
2 Broadway
New York, N.Y. 10004

Lafayette Electronics International Inc.
111 Jericho Turnpike
Syosset, N.Y. 11791

The Lamson & Sessions Co.
5000 Tiedeman Rd.
Cleveland, Ohio 44144

Langfelder, Homma and Carroll, Inc.
163 Fifth Avenue
New York, N.Y. 10010

Leading Forwarders, Inc.
11 Stone Street
New York, N.Y. 10004

Donald Lerch & Company
1522 K Street, N.W.
Washington, D. C. 20005

Levedag & Co., Inc.
42 Broadway
New York, N.Y. 10004

The Liberty Bank of Honolulu
P.O. Box 1480
Honolulu, Hawaii 96806

Liberty Steel Co.
P.O. Box 20837
Dallas, Tex. 75220

Lida Trading Corp.
122 Duane Street
New York, N.Y. 10007

Lifetime Cutlery Corp.
54 Knickerbocker Ave.
Brooklyn, N.Y. 11237

Eli Lilly International Corp.
P.O. Box 32
Indianapolis, Ind. 46206

Ling-Temco-Vought, Inc.
1155 Fifteenth Street, N.W.
Washington, D. C. 20005

Lipper & Mann, Inc.
255 Fifth Avenue
New York, N.Y. 10010

Arthur D. Little, Inc.
Acorn Park
Cambridge, Mass. 02140

Loeb, Rhoades & Co.
42 Wall Street
New York, N.Y. 10005

The Long-Term Credit Bank of Japan, Ltd.
20 Exchange Place
New York, N.Y. 10005

Chester I. Lowenthal
200 W. 57th Street
New York, N.Y. 10019

McAllister Brothers, Inc.
17 Battery Place
New York, N.Y. 10004

Alfred R. McCauley
1629 K Street, N.W.
Washington, D. C. 20006

Frank E. McCoy
P.O. Box 1002
San Mateo, Calif. 94403

McKinsey & Company, Inc.
245 Park Avenue
New York, N.Y. 10017

M. G. Maher & Company
442 Canal Street
New Orleans, La. 70130

Manufacturers Import Company
P.O. Box 33
Richmond, Va. 23201

Marcen Laboratories, Inc.
22 Lawton St.
New Rochelle, N.Y. 10801

Marcona Corporation
1 Maritime Plaza
San Francisco, Calif. 94111

Marine Foods Packing Corp.
559 Colman Bldg.
Seattle, Wash. 98104

Maritime Overseas Corporation
511 Fifth Avenue
New York, N.Y. 10017

Marketing World, Ltd.
11 E. 44th Street
New York, N.Y. 10017

Marshall & Company
1881 Rollins Road
Burlingame, Calif. 94010

Marshall Field & Company
25 East Washington St.
Chicago, Ill. 60602

J. D. Marshall, International, Inc.
170 West Washington Street
Chicago, Ill. 60602

Marubeni-iida (America) Inc.
938 Merchandise Mart
Chicago, Ill. 60654

200 Park Avenue
New York, N.Y. 10017

1001 Southwest Tower Bldg.
Houston, Tex. 77002

624 South Grand Avenue
Los Angeles, Calif. 90017

Marukyo Corp., Inc.
101 Weller Street
Los Angeles, Calif. 90012

Masaoka-Ishikawa & Associates
551 Fifth Avenue
New York, N.Y. 10017

Master Fence Fittings Inc.
700 E. Lambert Road
Lahabra, Calif. 90631

Masuda, Spivack & Funai
134 No. LaSalle Street
Chicago, Ill. 60602

Matson Navigation Company
100 Mission Street
San Francisco, Calif. 94105

Dr. H. Matsusaki
Laval University
Cite Universitaire
Quebec, Canada

Matsushita Electric Corp. of America
200 Park Avenue
New York, N.Y. 10017

Gene Yukio Matsuo
350 Park Avenue
New York, N.Y. 10022

May & Craig Co.
740 N. Rush Street
Chicago, Ill. 60611

Mentor International
712 Montgomery Street
San Francisco, Calif. 94111

Metal Supply Inc.
2070 E. 37th Street
Los Angeles, Calif. 90050

Miami Tile & Terazzo, Inc.
6454 N.E. 4th Avenue
Miami, Fla. 33138

Mid Pacific Distributors
556 Queen Street
Honolulu, Hawaii 96813

Midland Enterprises, Inc.
1115 Broadway
New York, N.Y. 10010

Midland International Corp.
1909 Vernon Street
North Kansas City, Mo. 64116

Miles Far East Corp.
1 Chase Manhattan Plaza
New York, N.Y. 10005

Miles Laboratories, Inc.
1127 Myrtle Street
Elkhart, Ind. 46514

Miller & Company
1549 Lawrence Street
Denver, Colo. 80217

Mine Safety Appliances Company
201 North Braddock Avenue
Pittsburgh, Pa. 15208

H. L. Mitchell
1450 Lorain Road
San Marino, Calif. 91108

The Mitsubishi Bank, Ltd.
626 So. Spring Street
Los Angeles, Calif. 90014

120 Broadway
New York, N.Y. 10005

Mitsubishi International Corp.
606 So. Hill Street
Los Angeles, Calif. 90014

1101 First Nat'l Bank Bldg.
Houston, Tex. 77002

875 North Michigan Avenue
Chicago, Ill. 60611

277 Park Avenue
New York, N.Y. 10017

Mitsui & Co. (U.S.A.) Inc.
141 W. Jackson Blvd.
Chicago, Ill. 60604

200 Park Avenue
New York, N.Y. 10017

3046 Humble Bldg.
Houston, Tex. 77002

The Mitsui Bank, Ltd.
One Chase Manhattan Plaza
New York, N.Y. 10005

Mitsui Mining & Smelting Co., Ltd.
200 Park Avenue
New York, N.Y. 10017

Mitsui O.S.K. Lines, Ltd.
17 Battery Place
New York, N.Y. 10004

Miyazaki Travel Agency, Inc.
14 East 28th St.
New York, N.Y. 10016

William G. Moller, Jr.
Syracuse University
Syracuse, N.Y. 13210

Sam Moment
2916 S.E. Woodstock Blvd.
Portland, Ore. 97202

Monarch Electronics Int'l., Inc.
7035 Laurel Canyon Blvd.
North Hollywood, Calif. 91605

Montgomery & Montgomery, Inc.
111 Fulton Street
New York, N.Y. 10038

Montgomery Ward & Co.
619 W. Chicago Avenue
Chicago, Ill. 60607

Samuel Moore & Company
Main & Orchard Streets
Mantua, Ohio 44255

Moran Towing and Transportation Co., Inc.
17 Battery Place
New York, N.Y. 1004

Morgan Guaranty Trust Co., of New York
23 Wall Street
New York, N.Y.

John Morris Co., Inc.
425 Second Street
San Francisco, Calif. 94107

MTI Corporation
11 E. 26th Street
New York, N.Y. 10010

Mulco Products, Inc.
P.O. Box 179
Milford, Del. 19963

Munzig International Inc.
660 So. Western Avenue
Los Angeles, Calif. 90005

Mura Corporation
355 Great Neck Road
Great Neck, N.Y. 11021

Jiro Murase
Baker & McKenzie
350 Park Avenue
New York, N.Y. 10022

F. W. Myers & Co., Inc.
72 Lake Street
Rouses Point, N.Y. 12979

NHK Spring Co., Ltd.
140 So. Dearborn Street
Chicago, Ill. 60603

NSK Corporation
24 Commerce Street
Newark, N.J. 07102

Nachi American Co., Ltd.
23 Brook Avenue
Maywood, N.J. 07607

Naess Shipping Co.
60 Broad Street
New York, N.Y. 10004

Nagase & Co., Ltd.
500 Fifth Avenue
New York, N.Y. 10036

National Bank of Detroit
Detroit, Mich. 48232

National Silver Company
852 S. Los Angeles Street
Los Angeles, Calif. 90014

241 Fifth Avenue
New York, N.Y. 10016

Neeson Company
5 Third Street
San Francisco, Calif. 94103

Nelco Sewing Machine Sales Corp.
164 West 25th Street
New York, N.Y. 10001

Nelson Sales Co.
620 Broadway
Kansas City, Mo. 64105

Hugo Neu Corporation
45 Nassau Street
New York, N.Y. 10005

Newcraft Imports, Inc.
8692 Wilshire Blvd.
Beverly Hills, Calif. 90211

H. M. Newhall & Co.
681 Market Street
San Francisco, Calif. 94105

New York Merchandise Co.
5505 East Olympic Blvd.
Los Angeles, Calif. 90022

32 West 23rd Street
New York, N.Y. 10010

New York Sankyo Seiko Co., Ltd.
245 Fifth Avenue
New York, N.Y. 10016

Nichibo Co., Ltd.
200 Park Avenue
New York, N.Y. 10017

Nichimen Co., Inc.
60 Broad Street
New York, N.Y. 10004

Nichiryo (America) Ltd.
551 Fifth Avenue
New York, N.Y. 10017

The Nikko Securities Co. International, Inc.
One Chase Manhattan Plaza
New York, N.Y. 10005

Nippon Electric New York, Inc.
200 Park Avenue
New York, N.Y. 10017

Nippon Express U.S.A., Inc.
2 West 46th Street
New York, N.Y. 10036

Nippon Fire & Marine Ins. Co., Ltd.
70 Pine Street
New York, N.Y. 10005

The Nippon Kangyo Bank, Ltd.
40 Wall Street
New York, N.Y. 10005

Nippon Kogaku (U.S.A.) Inc.
623 Stewart Avenue
Garden City, N.Y.

Nippon Kokan K.K.
19 Rector Street
New York, N.Y. 10006

Nippon Rayon Co., Ltd.
350 Fifth Avenue
New York, N.Y. 10001

Nippon Telegraph & Telephone Public Corp.
200 Park Avenue
New York, N.Y. 10017

Nippon Yusen Kaisha, Ltd.
25 Broadway
New York, N.Y. 10004

Nissan Motor Corp. in U.S.A.
400 County Avenue
Secaucus, N.J. 07094

Nisshin Spinning Co.
60 Broad Street
New York, N.Y. 10004

Nissho-Iwai American Corp.
624 South Grand Avenue
Los Angeles, Calif. 90017

120 Montgomery Street
San Francisco, Calif. 94104

80 Pine Street
New York, N.Y. 10005

Nomura (America) Corporation
52 Broadway
New York, N.Y. 10004

Nomura Research Institute
405 Lexington Avenue
New York, N.Y. 10017

The Nomura Securities Co., Ltd.
61 Broadway
New York, N.Y. 10006

Non Ferrous International Corp.
271 Madison Avenue
New York, N.Y. 11373

Non-Fluid Oil Corporation
347 Madison Avenue
New York, N.Y. 10017

Norcrest China Co.
115 N.W. First Avenue
Portland, Ore. 97209

Noritake Co., Inc.
1538 Merchandise Mart
Chicago, Ill. 60654

212 Fifth Avenue
New York, N.Y. 10010

527 W. 7th Street
Los Angeles, Calif. 90014

Norris Industries
5215 South Boyle Avenue
Los Angeles, Calif. 90058

North American Rockwell Corp.
Fifth and Wood
Pittsburgh, Pa. 15222

Northern Pacific Railway Co.
176 East Fifth St.
St. Paul, Minnesota 55101

The Northern Trust Company
50 South La Salle
Chicago, Ill. 60690

Northrup, King & Co.
P.O. Box 959
Minneapolis, Minn. 55440

Northwest Orient Airlines, Inc.
537 Fifth Avenue
New York, N.Y. 10017

Nosawa & Co., Ltd.
180 Madison Avenue
New York, N.Y. 10016

Nozaki Associates, Inc.
4 Albany Street
New York, N.Y. 10006

Nuclear Power Corp.
675 North First St.
San Jose, Calif. 95112

Al Nyman & Son, Inc.
38 West 32nd Street
New York, N.Y. 10001

Oak Electro/Netics Corporation
Crystal Lake, Ill. 60014

O.B.R., Inc.
286 Fifth Avenue
New York, N.Y. 10001

O'Hara Metal Products Co.
542 Brannan Street
San Francisco, Calif. 94107

Okaya (U.S.A.), Inc.
233 Broadway
New York, N.Y. 10007

Okura & Company
250 Broadway
New York, N.Y. 10007

Olympic-Resilite Universal Gym Co.
12 North Cottage Street
Valley Stream, N.Y. 11580

Olympic Steamship Co., Inc.
1000 Second Avenue
Seattle, Wash. 98104

Olympus Corporation of America
2 Nevada Drive
New Hyde Park, N.Y. 11040

Ono America, Inc.
693 Mission Street
San Francisco, Calif. 94105

Kurt Orban Company, Inc.
34 Exchange Place
Jersey City, N.J. 07302

P.O. Box 7226
Cleveland, Ohio 44129

P.O. Box 10580
12124 Joan Drive
Pittsburgh, Pa. 15235

8600 Delmar Boulevard
St. Louis, Mo. 63124

Oriental Exporters, Inc.
2 Pennsylvania Plaza
New York, N.Y. 10001

Osawa & Company (U.S.A.) Inc.
521 Fifth Avenue
New York, N.Y. 10017

Otagiri Mercantile Co., Inc.
11 East 26th Street
New York, N.Y. 12010

Owens-Illinois, Inc.
P.O. Box 1035
Toledo, Ohio 43601

PME International
3645 Long Beach Boulevard
Long Beach, Calif. 90807

Pacific Coast Assn. of Port Authorities
239 World Trade Center
San Francisco, Calif. 94111

Pacific Forest Products Trade Assoc.
#512 Washington Building
Tacoma, Wash. 98402

Pacific Import Sales
1010 Santee Street
Los Angeles, Calif. 90015

Pacific Supply Cooperative
P.O. Box 3588
Portland, Ore. 97208

Pacific Vegetable Oil Corp.
130 World Trade Center
San Francisco, Calif. 94111

Pan American World Airways, Inc.
200 Park Avenue
New York, N.Y. 10017

Pan Commercial Pacific
108 Grove Street
Worcester, Mass. 01605

Pan Pacific Trading Corp.
3502 Lincoln Avenue
Tacoma, Wash. 98421

Panatrade International, Ltd.
101 West 31st Street
New York, N.Y. 10001

M. Paquet & Co., Inc.
17 Battery Place
New York, N.Y. 10004

Peter W. Parsons
335 Center Street
Ridgway, Pa. 15853

Peer Bearing Company
1818 S. Wabash Avenue
Chicago, Ill. 60616

J. C. Penney Co., Inc.
1301 Avenue of the Americas
New York, N.Y. 10019

Penson & Company
JFK International Airport
Jamaica, N.Y. 11430

The Perkin-Elmer Corporation
Maine Avenue
Norwalk, Conn. 06852

Perry Chemical Corp.
91-31 Queens Boulevard
Elmhurst, N.Y. 11373

Philadelphia Hide Export Corp.
1518 Walnut Street
Philadelphia, Pa. 19102

The Phila. Nat'l Bank, Int'l Div.
421 Chestnut Street
Philadelphia, Pa. 19101

Philipp Brothers Far East Inc.
299 Park Avenue
New York, N.Y. 10017

Philmore Manufacturing Co., Inc.
130-01 Jamaica Avenue
Richmond Hill, N.Y. 11418

Philstone Nail Corp.
57 Pine Street
Canton, Mass. 02021

Pineapple Growers Assoc. of Hawaii
215 Market Street
San Francisco, Calif. 94105

The R. H. Pines Corporation
17 Battery Place
New York, N.Y. 10004

Pipe Sales Company
P.O. Box 7202
Long Beach, Calif. 90807

Pittsburgh National Bank
One Oliver Plaza
Pittsburgh, Pa. 15222

Ponder & Best
11201 W. Pico Boulevard
Los Angeles, Calif. 90064

Port of Cleveland
101 Erieside Avenue
Cleveland, Ohio 44114

Port of Everett
Pier #1
Everett, Wash. 98201

Port of Lake Charles
Lake Charles Harbor & Terminal Dist.
Lake Charles, La. 70601

Port of Long Beach
P.O. Box 570
Long Beach, Calif. 90801

Port of New York Authority
111 Eighth Avenue
New York, N.Y. 10011

Port of Oakland
66 Jack London Square
Oakland, Calif. 94607

Port of Olympia
P.O. Box 827
Olympia, Wash. 98501

Port of Port Angeles
P.O. Box 791
Port Angeles, Wash. 98362

Port of Portland
P.O. Box 3529
Portland, Ore. 97208

Port of San Diego
P.O. Box 488
San Diego, Calif. 92112

Port of Seattle
P.O. Box 1209
Seattle, Wash. 98111

Port of Tacoma
P.O. Box 1612
Tacoma, Wash. 98401

Portland State College Library
P.O. Box 1151
Portland, Ore. 97207

Prof. S. B. Prasad
College of Business Administration
Ohio University
Athens, Ohio 45701

Price Associates Inc.
1387 Main Street
Springfield, Mass. 01103

Propper Manufacturing Co., Inc.
10-34 44th Drive
Long Island City, N.Y. 11101

Prudential Plumbing Products
Foot of Centre Street
Newark, N.J. 07102

The Public Relations Board, Inc.
75 East Wacker Drive
Chicago, Ill. 60601

Purex Corporation, Ltd.
International Group, W-1
Wilmington, Calif. 90744

R & O Tool Co., Inc.
P.O. Box 908
Pico Rivera, Calif. 90660

RCA Communications, Inc.
60 Broad Street
New York, N.Y. 10004

REA Express
210 E. 42nd Street
New York, N.Y.

RFL Industries, Inc.
Powerville Road
Boonton, N.J. 07005

Radio Corporation of America
30 Rockefeller Plaza
New York, N.Y. 10020

Rainer Trading Co.
465 California Street
San Francisco, Calif. 94104

Raytheon Company
141 Spring Street
Lexington, Mass. 02173

Regents Sports Company
45 Ranick Road
Hauppauge, N.Y. 11787

Reliance International Mfg., Ltd.
90 W. Graham Avenue
Hempstead, N.Y. 11551

Rengo Traders, Inc.
234 Fifth Avenue
New York, N.Y. 10001

Rheem Mfg. Co.
5922 Bowcroft Street
Los Angeles, Calif. 90016

400 Park Avenue
New York, N.Y. 10022

The J. D. Richardson Company
1225 Lafayette Building
Detroit, Mich. 48226

Rio Del Mar Foods, Inc.
64 Pine Street
San Francisco, Calif. 94111

Riviera Trading Corp.
295 Fifth Avenue
New York, N.Y. 10016

Robeco Chemicals Inc.
51 Madison Avenue
New York, N.Y. 10010

Stanley Roberts Inc.
230 Fifth Avenue
New York, N.Y. 10001

J. M. Rodgers & Co.
30 Church St.
New York, N.Y. 10007

Manuel F. Rojas Co.
One Wilshire Bldg. #1801
Los Angeles, Calif. 90017

Rosenthal & Rosenthal, Inc.
1451 Broadway
New York, N.Y. 10036

Ross Products, Inc.
1107 Broadway
New York, N.Y. 10010

Rowe International, Inc.
75 Troy Hills Road
Whippany, N.J. 07981

Rubens Originals
726 Santa Fe Avenue
Los Angeles, Calif. 90021

Ruder & Finn
110 East Fifty Ninth Street
New York, N.Y. 10022

1812 K Street
Washington, D. C. 20006

Rutt Steel Corporation
3525 Firestone Boulevard
South Gate, Calif. 90280

SCM Glidden International Co.
11001 Madison Avenue
Cleveland, Ohio 44102

S.S.T. Corporation
20 Vesey Street
New York, N.Y. 10007

San Diego Chamber of Commerce
223 "A" Street
San Diego, Calif. 92101

The Sanforized Company
530 Fifth Avenue
New York, N.Y. 10036

The Sanwa Bank, Ltd.
One Chase Manhattan Plaza
New York, N.Y. 10005

465 California Street
San Francisco, Calif. 94104

Sanyei New York Corporation
1199 Broadway
New York, N.Y. 10001

Sanyo Corporation of America
505 Fifth Avenue
New York, N.Y. 10017

Sanyo Electric, Inc.
P.O. Box 628
Ellenville, N.Y. 12428

Sato-Shoji, Inc.
2978 Wilshire Boulevard
Los Angeles, Calif. 90005

Schiavone Bonomo Corporation
Foot of Jersey Avenue
Jersey City, N.J. 07302

Schmid Brothers, Inc.
280 Summer Street
Boston, Mass. 02210

J. Henry Schroder Banking Corporation
57 Broadway
New York, N.Y. 10015

Warren F. Schwartz
University of Illinois College of Law
Champaign, Ill. 61820

Schwinn Bicycle Company
1856 N. Kostner Avenue
Chicago, Ill. 60639

Scovill Mfg. Co.
99 Mill Street
Waterbury, Conn. 06720

Sea-Land Service, Inc.
P.O. Box 3045
Seattle, Wash. 98114

Seald-Sweet Growers, Inc.
P.O. Box 2349
Tampa, Fla. 33601

Seibu Dept. Store, Ltd.
390 Fifth Avenue
New York, N.Y. 10018

Seiko Time Corporation
640 Fifth Avenue
New York, N.Y. 10019

Sekiya International, New York, Inc.
112 West 34th Street
New York, N.Y. 10001

Sentinel Enterprises, Inc.
2125 Biscayne Boulevard
Miami, Fla. 33137

Serko & Sklaroff
Counselors at Law
401 Broadway
New York, N.Y. 10013

John Sexton & Co.
4501 W. 47th Street
Chicago, Ill. 60632

S. Shamash & Sons, Inc.
125 W. 41st Street
New York, N.Y. 10036

William R. Shapiro, Esq.
551 Fifth Avenue
New York, N.Y. 10017

Sharretts, Paley, Carter & Blauvelt
80 Broad Street
New York, N.Y. 10004

Sherwood Medical Industries, Inc.
1831 Olive Street
St. Louis, Mo. 63103

Shigoto International Corp.
350 Fifth Avenue
New York, N.Y. 10001

Shikishima Spinning Co.
52 Broadway
New York, N.Y. 10004

Shima American Corporation
398 W. Wrightwood
Elmhurst, Ill. 60126

Shinyei Company, Inc.
171 Madison Avenue
New York, N.Y. 10016

Frank C. Siegel
475 Fifth Avenue
New York, N.Y. 10017

Siegel, Mandell & Davidson
1 Whitehall Street
New York, N.Y. 10004

Singer-General Precision Inc.
30 Rockefeller Plaza
New York, N.Y. 10020

R. W. Smith & Co.
1305 Prairie
Houston, Tex. 77052

Francis Y. Sogi
One Wall Street
New York, N.Y. 10005

Myron Solter
1750 Pennsylvania Avenue, N.W.
Washington, D. C. 20006

Southern Pacific Company
65 Market Street
San Francisco, Calif. 94105

Southern Precision Instrument Co.
710 Augusta Street
San Antonio, Tex. 78215

Southwire Company
P.O. Box 1000
Carrollton, Ga. 30117

Spartans Industries, Inc.
1372 Broadway
New York, N.Y. 10018

Spiegel, Inc.
2511 W. 23rd Street
Chicago, Ill. 60608

Sportclothes Ltd., Inc.
1212 S. Stanford Avenue
Los Angeles, Calif. 90021

Sprouse-Reitz Co., Inc.
2175 N.W. Upshur Street
Portland Ore. 97210

Standard Fruit & Steamship Co.
P.O. Box 50830
New Orleans, La. 70150

Star-Kist Foods, Inc.
582 Tuna Street
Terminal Island, Calif. 90731

States Marine Lines, Inc.
90 Broad Street
New York, N.Y. 10004

States Steamship Co.
2 Broadway
New York, N.Y. 10004

Stein & Shostak
608 South Hill Street
Los Angeles, Calif. 90014

Bernard Steinberg & Co.
18040 Sherman Way
Reseda, Calif. 91335

Steiner Company
740 Rush Street
Chicago, Ill. 60611

Dr. Frederick H. Stires
3565 Fort Meade Road
Laurel, Md. 20810

Donald M. Stone
419 "C" West Fashion Park Place
Orange, Calif. 92666

Stonewell International
457 Ninth Street
San Francisco, Calif. 94103

Thomas R. Strauss
6075 Skyline Boulevard
Burlingame, Calif. 94010

Morris Struhl Incorporated
11 East 26th Street
New York, N.Y. 10010

H. S. Strygler & Co.
665 Fifth Avenue
New York, N.Y. 10022

Styson Art Products Co.
543 West 23rd Street
New York, N.Y. 10011

S. Sugimoto Pearl Co.
16 East 52nd Street
New York, N.Y. 10022

Sumikin Bussan Kaisha, Ltd.
P.O. Box 652
Norfolk, Va. 23501

The Sumitomo Bank, Ltd.
60 Broad Street
New York, N.Y. 10004

The Sumitomo Bank of California
101 South San Pedro Street
Los Angeles, Calif. 90012

Sumitomo Metal Industries, Ltd.
420 Lexington Avenue
New York, N.Y. 10017

Sumitomo Shoji Chicago, Inc.
208 S. La Salle Street
Chicago, Ill. 60604

Sumitomo Shoji New York, Inc.
606 South Olive Street
Los Angeles, Calif. 90014

Sumitomo Shoji America, Inc.
277 Park Avenue
New York, N.Y. 10017

Sunkist Growers, Inc.
707 West 5th Street
Los Angeles, Calif. 90017

Suntory International
612 S. Flower Street
Los Angeles, Calif. 90017

Suntory Limited
551 Fifth Avenue
New York, N.Y. 10017

Supreme Cutlery Corp.
1214 Broadway
New York, N.Y. 10001

Suzuki-Wakiji & Assoc.
4555 North Broadway
Chicago, Ill. 60640

James W. Swallen
Time & Life Bldg.—Rockefeller Center
New York, N.Y. 10020

Swift Instruments, Inc.
952 Dorchester
Boston, Mass. 02120

Taisho Marine & Fire Ins. Co. Ltd.
111 John Street
New York, N.Y. 10038

Taiyo-California, Inc.
321 East Second Street
Los Angeles, Calif. 90012

Taiyo International Inc.
420 Lexington Avenue
New York, N.Y. 10017

Takara Co. of New York, Inc.
One Belmont Drive
Somerset, N.J. 08873

Takashimaya, Inc.
509 Fifth Avenue
New York, N.Y. 10017

Takeda U.S.A. Inc.
400 Park Avenue
New York, N.Y. 10022

Takisada American Corporation
437 Fifth Avenue
New York, N.Y. 10016

Tasco Sales, Inc.
1075 N.W. 71st Street
Miami, Fla. 33150

Taub, Hummel & Schnall Inc.
26 Broadway
New York, N.Y. 10004

Teijin Limited
80 Pine Street
New York, N.Y. 10005

Television Digest
510 Madison Avenue
New York, N.Y. 10022

C. Tennant, Sons & Co., of N.Y.
100 Park Avenue
New York, N.Y. 10017

Terada Company, Inc.
147 West 42nd Street
New York, N.Y. 10036

Texas Transport & Terminal Co., Inc.
25 Broadway
New York, N.Y. 10004

Textures International, Inc.
270 Madison Avenue
New York, N.Y. 10016

Thornley & Pitt, Inc.
619 Sansome Street
San Francisco, Calif. 94126

Thornton Glove Co., Inc.
1 Gordon Drive
Totowa, N.J. 07512

Thurow International Ltd., Inc.
P.O. Box 1529
Tampa, Fla. 33601

Timber Traders, Inc.
P.O. Box 487
Mercer Island, Wash. 98040

Timken Roller Bearing Co.
1835 Dueber Avenue S.W.
Canton, Ohio 44706

Todd Steel
Box 950
Frederick, Md. 21701

Moses Todrin
259 West 30th Street
New York, N.Y. 10001

The Tokai Bank, Ltd.
67 Broad Street
New York, N.Y. 10004

Tokio Marine & Fire Insurance Co., Ltd.
80 Maiden Lane
New York, N.Y. 10038

Toledo-Lucas County Port Authority
241 Superior Street
Toledo, Ohio 43604

Toppan Printing Co., Ltd.
101 Park Avenue
New York, N.Y. 10017

Toray New York, Inc.
280 Park Avenue
New York, N.Y. 10017

Toshiba America, Inc.
477 Madison Avenue
New York, N.Y. 10022

22 West Madison Street
Chicago, Ill. 60602

Toshoku, Ltd.
551 Fifth Avenue
New York, N.Y. 10017

Toyama & Co. (New York), Inc.
855 Avenue of the Americas
New York, N.Y. 10001

Toyobo New York, Inc.
245 Park Avenue
New York, N.Y. 10017

Toyoda New York, Inc.
53 Park Place
New York, N.Y. 10007

Toyomenka, Inc.
2 Broadway
New York, N.Y. 10004

311 California Street
San Francisco, Calif. 94104

Toyoshima & Co., Ltd.
303 Fifth Avenue
New York, N.Y. 10016

Toyota Motor Sales, U.S.A. Inc.
P.O. Box 2991
Torrance, Calif. 90509

Trade Unlimited, Inc.
75-03 Main Street
Flushing, N.Y. 11367

Transamerica Corp.
701 Montgomery
San Francisco, Calif. 94111

Trans-Global Metals, Inc.
214 Front Street
San Francisco, Calif. 94111

The Transpacific Export Corp.
1107 Hoge Building
Seattle, Wash. 98104

Transpacific Transportation Co.
650 California Street
San Francisco, Calif. 94108

Trapac Corporation
1412 Broadway
New York, N.Y. 10018

Schozo F. Tsuchida
2 Rector Street
New York, N.Y. 10006

Tubular Service Corp.
Springdale, Pa. 15144

UMC Industries, Inc.
515 Olive Street
St. Louis, Mo. 63101

USV Pharmaceutical Corp.
800 Second Avenue
New York, N.Y. 10017

UBE Industries, Ltd.
1 Chase Manhattan Plaza
New York, N.Y. 10005

George Uhe Co., Inc.
76 Ninth Avenue
New York, N.Y. 10011

Union Carbide Eastern, Inc.
270 Park Avenue
New York, N.Y. 10017

Union Hide Company
228 Harrison Street
Oakland, Calif. 94607

Union Pipe, Inc.
420 Lexington Avenue
New York, N.Y. 10017

512 World Trade Bldg.
Houston, Tex. 77002

United Asia Trading Co., Inc.
800 N. Clark Street
Chicago, Ill. 60610

United Concrete Pipe Corporation
P.O. Box 429
Baldwin Park, Calif. 91706

United Scientific Company, Inc.
66 Needham Street
Newton Highlands, Mass. 02161

U.S. Asiatic Company, Inc.
12-01 44th Avenue
Long Island City, N.Y. 11101

U.S. Import Equipment Distributors, Inc.
1409 Santa Fe Avenue
Los Angeles, Calif. 90021

United States Lines, Inc.
One Broadway
New York, N.Y. 10004

U.S. Microfilm Sales Corp.
179 Fifth Street
Cambridge, Mass. 02141

United States Navigation Co., Inc.
17 Battery Place
New York, N.Y. 10004

Universal Oil Products Company
30 Algonquin Road
Des Plaines, Ill. 60016

University of Michigan Library
Technical Services Dept.
Ann Arbor, Mich. 48104

Upjohn International Inc.
320 Portage Street
Kalamazoo, Mich. 49001

UTO American, Inc.
24 West 40th Street
New York, N.Y. 10018

VIF International
P.O. Box 1555
Mountain View, Calif. 94040

The Valeron Corporation
13721 W. 11 Mile
Oak Park, Mich. 48237

Valley National Bank
P.O. Box 71
Phoenix, Ariz. 85001

Vandor Imports
690 Fourth Street
San Francicso, Calif. 94107

Philip Van Slyck, Inc.
1041 Third Avenue
New York, N.Y. 10021

Varian Associates
611 Hansen Way
Palo Alto, Calif. 94303

Charles von Loewenfeldt, Inc.
1333 Gough Street
San Francisco, Calif. 94109

Wacom Corporation
333 West 52nd Street
New York, N.Y. 10019

R. M. Wade & Co.
1919 Thurman Street NW
Portland, Ore. 97209

Waldes Kohinoor, Inc.
47-16 Austel Place
Long Island City, N.Y. 11101

Waller Corporation
Ridgefield, P.O. Box 340
Crystal Lake, Ill. 60014

Washington Fish & Oyster Co. of Calif.
P.O. Box 3894 Rincon Annex
San Francisco, Calif. 94119

Wash. Public Ports Association
210 East Union Avenue
Olympia, Wash. 98501

Wayne Manufacturing Co.
1201 E. Lexington Street
Pomona, Calif. 91766

Evelyn Weber
125 Hawthorne Street
Brooklyn, N.Y. 11225

West Coast Orient Co.
5403 N. Lagoon Avenue
Portland, Ore. 97217

Western Marketing Affiliates, Inc.
P.O. Box 496
Yakima, Wash. 98901

Western Metal Lath Co.
15220 Canary Avenue
La Mirada, Calif. 90538

Western Pacific Railroad Co.
526 Mission Street
San Francisco, Calif. 94105

Western Union International, Inc.
26 Broadway
New York, N.Y. 10004

Westwood Import Co., Inc.
682 Mission Street
San Francisco, Calif. 94105

Whitehouse Assoc.
15720 Ventura Blvd.
Encino, Calif. 91316

Wilmod Company
200 West 57th Street
New York, N.Y. 10019

Lee Wilson Engineering Co., Inc.
20005 Lake Road
Cleveland, Ohio 44116

M. Wimpfheimer & Son, Inc.
250 West 57th Street
New York, N.Y. 10019

Wings & Wheels
223 W. 28th Street
New York, N.Y. 10001

Winter, Wolff & Co., Inc.
1451 New Dock Street
Terminal Island, Calif. 90731

World Famous Sales Co.
3580 N. Elston
Chicago, Ill. 60618

World Wide Enterprises, Inc.
3838 West 51st Street
Chicago, Ill. 60632

Wrangell Lumber Company
P.O. Box 422
Wrangell, Alaska 99929

Wyman-Gordon Company
105 Madison Street
Worcester, Mass. 01601

Sunao T. A. Yamada
100 Broadway
New York, N.Y. 10005

Yamaichi Securities Co. of New York Inc.
111 Broadway
New York, N.Y. 10006

Hill, Betts, Yamaoka, Freehill & Longcope
26 Broadway
New York, N.Y. 10004

Yamashita-Shinnihon Line
210 W. 7th Street
Los Angeles, Calif. 90014

Yamashita-Shinnihon Steamship Co., Ltd.
25 Broadway
New York, N.Y. 10004

Yashica, Inc.
50-17 Queens Boulevard
Woodside, N.Y. 11377

Yaskawa Electric Mfg. Co., Ltd.
200 Park Avenue
New York, N.Y. 10017

Yasuda Fire & Marine Ins. Co., Ltd.
156 William Street
New York, N.Y. 10038

Yawata Iron & Steel Co., Ltd.
375 Park Avenue
New York, N.Y. 10022

Yen Enterprises, Inc.
1456 Terminal Tower
Cleveland, Ohio 44113

York Cutlery Co., Inc.
286-288 West Market Street
York, Pa. 17401

Yoshida International, Inc.
47-50 38th Street
Long Island City, N.Y. 11101

Leo Young & Company
Box 549
Freeport, N.Y. 11520

Yuasa Trading Company (America), Inc.
30 Church Street
New York, N.Y. 10007

H. L. Ziegler, Inc.
P.O. Box 53180
Houston, Tex. 77052

Budget Bureau No. 43-R210.6
Approval Expires Oct. 31, 1971

UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20530

SUPPLEMENTAL STATEMENT

Pursuant to Section 2 of the Foreign Agents Registration Act of 1938, as Amended

For Six Month Period Ending DEC 31 1969
(Insert date)

Name of Registrant: United States Japan Trade Council

Registration No. 929

Business Address of Registrant

1000 Connecticut Ave., N. W.
Washington, D. C. 20036

I - REGISTRANT

1. Has there been a change in the information previously furnished in connection with the following:

(a) If an individual:

	Yes	No
(1) Residence address	☐	☐
(2) Citizenship	☐	☐
(3) Occupation	☐	☐

(b) If an organization:

	Yes	No
(1) Name	☐	☒
(2) Ownership or control	☐	☒
(3) Branch offices	☐	☒

2. Explain fully all changes, if any, indicated in Item 1.

none

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, and 5.

3. Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes ☐ No ☒

If yes, furnish the following information:

Name	*Position*	*Date Connection Ended*

None

4. Have any persons become partners, officers, directors or similar officials during this 6 month reporting period?
Yes ☐ No ☒

If yes, furnish the following information:

Name	Residence Address	Citizenship	Position	Date Assumed
	None			

5. Has any person named in Item 4 rendered services directly in furtherance of the interests of any foreign principal? Yes ☐ No ☒

If yes, identify each such person and describe his services.

None

6. Have any employees or individuals other than officials, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting period?
Yes ☒ No ☐

If yes, furnish the following information:

Name	Position or connection	Date terminated
Edward E. Wright	Legislative Aide	9/19/69

7. During this 6 month reporting period, have any persons been hired as employees or in any other capacity by the registrant who rendered services to the registrant directly in furtherance of the interests of any foreign principal in other than a clerical or secretarial, or in a related or similar capacity?
Yes ☒ No ☐

If yes, furnish the following information:

Name	Residence Address	Position or connection	Date connection began
M. D. Minchew	209 Third St., S.E. Washington, D. C.	Legislative Director	11/17/69

II - FOREIGN PRINCIPAL

8. Has your connection with any foreign principal ended during this 6 month reporting period?
   Yes ☐ No ☒

   If yes, furnish the following information:

   Name of foreign principal *Date of Termination*

9. Have you acquired any new foreign principal[1] during this 6 month reporting period? Yes ☐ No ☒

   If yes, furnish following information:

   Name and address of foreign principal *Date acquired*

10. In addition to those named in Items 8 and 9, if any, list the foreign principals[1] whom you continued to represent during the 6 month reporting period.

    Japan Trade Promotion Office
    39 Broadway
    New York, N. Y. 10006

III - ACTIVITIES

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 8, 9 and 10 of this statement? Yes ☒ No ☐

    If yes, identify each such foreign principal and describe in full detail your activities and services:

    Japan Trade Promotion Office

    Promotional and educational activities concerning U. S.-Japan trade and current problems in connection therewith. This involves appearances before official bodies of the United States Government and distribution of printed materials and other public relations and information to the business community concerned with U.S.-Japan trade.

[1] The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual or organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a)(9)).

A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those foreign principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity[2] as defined below?

Yes [X] No [ ]

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places of delivery, names of speakers and subject matter.

Japan Trade Promotion Office. Dissemination of information on U.S.-Japan trade by pamphlets, press releases, statements, letters and in person to members of the legislative and executive branches, the press, business groups, labor unions, academicians and other interested individuals for the purpose of promoting trade between the United States and Japan.

Oct. 6 Council hold press conference for Japanese newspaper food editors in D.C., followed by reception for selected Congressional and USDA officials.

Oct 21 N. Hemmendinger represented Council at meeting of American Importers Assoc. and U.S. Chamber of Commerce to discuss trade union boycott of foreign goods.

Nov 10 D. Lerch, Council's Agricultural public relations representative, addressed National Grange in Chicago on U. S.-Japan trade.

Nov 20 A. Taylor addressed Dairy Society International in New Orleans on U.S.-Japan trade.

Nov 25 S. Cohen addressed York World Trade Council, York, Penna. on U.S.-Japan trade.

13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals?

Yes [ ] No [X]

If yes, describe fully.

[2] The term "political activities" means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

IV - FINANCIAL INFORMATION

14. (a) RECEIPTS - MONIES

During this 6 month reporting period, have you received from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise?

Yes [X] No [ ]

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies.[3]

Date	*From Whom*	*Purpose*	*Amount*
August 13, 1969	Japan Trade Promotion Office	For promotion of	$60,000.00
August 25, 1969	" " " "	U.S.-Japan trade	25,997.00
Nov. 5, 1969	" " " "	" "	60,000.00
Dec. 9, 1969	" " " "	" "	25,995.00

Note: In addition to above, $2,200.00 was received from members in the form of membership dues. This sum was not received to be used in the interests of the foreign principal, but is reported here in order to make full dislosure of receipts.

$ 171,992.00
Total

14. (b) RECEIPTS - THINGS OF VALUE

During this 6 month reporting period, have you received any thing of value[4] other than money from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal?

Yes [ ] No [X]

If yes, furnish the following information:

Name of foreign principal	*Date Received*	*Description of thing of value*	*Purpose*

[3] A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. See Rule 201(e).

[4] Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

15. (a) DISBURSEMENTS - MONIES

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 8, 9 and 10 of this statement? Yes [x] No [ ]

(2) transmitted monies to any such foreign principal? Yes [ ] No [x]

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

Date	*To Whom*	*Purpose*	*Amount*

See attached list for disbursements.

$ 159,191.70

Total

United States - Japan Trade Council

Item 15. (a) Disbursements - Monies

Date	To Whom	Purpose	Amount
Monthly	American Express Co.	Social	$ 1,098.94
Occasionally	American Bankers Assoc.	Publications	11.90
Occasionally	American Importers Assoc.	Publications	191.75
Occasionally	Alexander's Florist	Social	79.58
Occasionally	Andrews, Bartlett & Assoc.	Trade conf. set-up	146.04
Occasionally	Addressograph Co.	Mailing plates	881.47
Occasionally	Amer. Academy of Pol. Sci.	Publications	3.15
Occasionally	American Enterprise Assoc.	Publications	2.00
Occasionally	American Airlines Freight	Shipping	26.50
Occasionally	American Airlines	Plane tickets	390.60
Occasionally	Atlantic Council	Publications	9.00
Occasionally	Anderson Motor Serv.	Shipping	14.27
Occasionally	Brede's	Trade Conf. set-up	130.50
Occasionally	Brookings Institute	Publications	9.01
Occasionally	Blackwell Publishers	Publications	24.00
Occasionally	Baumgarten	Office Supplies	3.48
Monthly	Burrelle's	Press clippings	364.12
Occasionally	Business Abroad	Publications	10.00
Occasionally	E. Choate	Part-time help	68.00
Monthly	C & P Telephone Co.	Telephone	1,406.60
Occasionally	Commerce Clearing House	Publications	182.00
Occasionally	Council of State Gov'ts	Publications	13.00
Annually	Congressional Quarterly	Publications	416.00
Annually	Congressional Staff Directory	Publications	65.80
Monthly	Capitol Hill Club	Social	2.87
Occasionally	Casillas Press	Printing	95.27
Quarterly	Wm. P. Dazey	Public relations	1,800.00
Annually	Daily News Record	Publications	24.00
Quarterly	District Unem. Comp. Bd.	Taxes	21.56
Annually	Dun's Review	Publications	7.00
Quarterly	District Delivery Service	Newspapers	26.80
Annually	D. C. Personal Property	taxes	142.30
Occasionally	Emery Air Freight	Shipping	71.61
Occasionally	Evening Star	Advertising	5.28
Occasionally	Eastern Photoprint	Reproduction	4.37
Occasionally	Economist Intelligence Unit	Publications	8.40
Monthly	FICA	Taxes	2,043.29
Annually	Fundscope	Publications	39.00
Occasionally	Friden (contract & Serv. Chgs.)	Machine repair	101.00
Annually	Forbes	Publication	8.50
Annually	Foreign Affairs	Publication	19.00
Occasionally	Ginn's	Office supplies	98.28
Annually	Gaslight Club	Social	18.00
Occasionally	Gale Research	Publications	8.75
Monthly	Gist & Chairs	Reproduction supplies	5,675.30
Occasionally	Gibbs Reporting Service	Transcripts	307.38
Monthly	GHI	Hospitalization Ins.	1,595.29
Occasionally	Arnold Hurt Co.	General office	22.00

Monthly	Heiss Press Service	Press releases	150.00
Occasionally	International Club	Social	167.97
Occasionally	IBM (Serv. contract & chgs.)	General office	227.76
Annually	Japan Tariff Assoc.	Newspapers	518.00
Monthly	Jiji News Serv.	Newspapers	300.00
Occasionally	Japan-America Soc. of Wash.	Dues & Social	242.50
Occasionally	Katagiri	Trade conf.	157.09
Monthly	Kaufmann Printing	Printing	9,665.53
Occasionally	Sidney Kramer Books	Publications	144.28
Monthly	Donald Lerch & Co.	Public Relations	9,025.28
Occasionally	League of Women Voters	Contribution	1,000.00
Monthly	Macke Coffee Co.	General office	139.08
Monthly	Mallorey Office Supply	General Office	767.25
Occasionally	Mar-Sid's	Errands	40.00
Quarterly	Mailing Services	Mailing of pamphlets	1,315.69
Occasionally	McHale Drayage	Shipping	39.60
Occasionally	Norris Brothers	Shipping	74.00
Annually	Nat'l Foreign Trade Convention	Registration fees	95.00
Annually	National Press Club	Dues	36.00
Occasionally	Oles Envelope Co.	Office supplies	2,159.65
Quarterly	H. Okada	Public relations	1,200.00
Quarterly	Oversea Courier Service	Publications	217.88
Quarterly	Pitney Bowes Inc.	Postage meter rental	305.51
Monthly	Postmaster, D. C.	Postage	4,850.00
Monthly	Ruder & Finn	Public relations	6,644.84
Occasionally	REA Express	Shipping	146.34
Monthly	H. G. Smithy	Rent	7,623.44
Quarterly	Stitt, Hemmendinger & Kennedy	Legal & Research	6,000.00
Monthly	Stitt, Hemmendinger & Kennedy	Reimb. for Exp.	1,513.40
Occasionally	TeleSec	Temp. Ofc. Help	355.60
Occasionally	Merle Thomas	Statis. Data	3.957.25
Annually	U. S. Chamber of Commerce	Membership	303.44
Monthly	Charles von Loewenfeldt	Public relations	3,377.95
Occasionally	Washington Post	Advertising	72.53
Occasionally	Washington Impression Products	General office	178.83
Occasionally	Wilson Personnel	Placement fee & temporary help	1,068.00
Monthly	Western Union	telegrams & cables	93.65
Semi-monthly	Stephen Cohen	salary	6,666.73
Occasionally	Stephen Cohen	Reimb. exp.	487.12
Semi-monthly	Jean Choate	salary	4,500.00
weekly	Deanna deMember	salary	1,314.64
Weekly	Oscar Funderburk	salary	279.39
Monthly	Noel Hemmendinger	salary	6,918.75
Occasionally	Noel Hemmendinger	reimb. exp.	98.35
Weekly	JoAnne Gontkovic	salary	3,249.94
Weekly	Gladys Meisner	salary	151.39
Weekly	Wilbert Miles	salary	2,200.78
Monthly	Marian Magg	salary	840.00
Semi-monthly	D. M. Minchew	salary	2,375.01
Occasionally	D. M. Minchew	reimb. exp.	173.38

Weekly	Michael Noonchester	salary	940.00
Semi-monthly	Kazuo Nukazawa	salary	6,378.32
Occasionally	Kazuo Nukazawa	Reimb. exp.	97.35
Weekly	Herman Overton	salary	2,715.42
Monthly	Carol Stitt	salary	5,100.00
Occasionally	Carol Stitt	Reimb. exp.	44.03
Monthly	Nelson Stitt	salary	7,752.50
Occasionally	Nelson Stitt	Reimb. exp.	113.28
Monthly	H. W. Tanaka	salary	3,675.00
Weekly	A. Sunahara	salary	375.00
Weekly	M. L. Taylor	salary	306.76
Bi-weekly	Allen Taylor	salary	12,629.31
Occasionally	Allen Taylor	Reimb. exp.	2,361.30
Bi-monthly	Diane Warsnaw	salary	1,077.09
Bi-monthly	Edward Wright	salary	4,022.72
Occasionally	Edward Wright	Reimb. exp.	9.05
Occasionally	Misc. purchases of reference materials, books, subs, etc.		432.50
Occasionally	Misc. purchases of general office requirements		531.30
		Total	$ 159,191.70

15.(a) (2)

None

15. (b) DISBURSEMENTS – THINGS OF VALUE

During this 6 month reporting period, have you disposed of anything of value[5] other than money in furtherance of or in connection with activities on behalf of any foreign principal named in items 8, 9 and 10 of this statement?

Yes ☐ No ☒

If yes, furnish the following information:

Date disposed	*Name of person to whom given*	*On behalf of what foreign principal*	*Description of thing of value*	*Purpose*

(c) DISBURSEMENTS - POLITICAL CONTRIBUTIONS

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value[5] in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office? Yes ☐ No ☒

If yes, furnish the following information:

Date	*Amount or thing of value*	*Name of political organization*	*Name of candidate*

V - POLITICAL PROPAGANDA

(Section 1(j) of the Act defines "political propaganda" as including any oral, visual, graphic, written, pictorial, or other communication or expression by any person (1) which is reasonably adapted to, or which the person disseminating the same believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, or in any other way influence a recipient or any section of the public within the United States with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party or with reference to the foreign policies of the United States or promote in the United States racial, religious, or social dissensions, or (2) which advocates, advises, instigates, or promotes any racial, social, political, or religious disorder, civil riot, or other conflict involving the use of force or violence in any other American republic or the overthrow of any government or political subdivision of any other American republic by any means involving the use of force or violence.)

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any political propaganda as defined above? Yes ☒ No ☐

IF YES, RESPOND TO THE REMAINING ITEMS IN THIS SECTION V.

17. Identify each such foreign principal.

Japan Trade Promotion Office
39 Broadway
New York, N. Y. 10006

[5] Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating political propaganda?
Yes [x] No [ ]

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

Japan Trade Promotion Office, 39 Broadway, New York, N. Y. 10006

Approximately $30,000.00 (Estimated on basis of ratio to total activities)

Six month period.

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of political propaganda include the use of any of the following:

[ ] Radio or TV broadcasts [x] Magazine or newspaper articles [ ] Motion picture films [x] Letters or telegrams
[ ] Advertising campaigns [x] Press releases [x] Pamphlets or other publications [x] Lectures or speeches
[ ] Other *(specify)* ____________

20. During this 6 month reporting period, did you disseminate or cause to be disseminated political propaganda among any of the following groups:

[x] Public Officials [x] Newspapers [x] Libraries
[x] Legislators [x] Editors [x] Educational institutions
[x] Government agencies [x] Civic groups or associations [ ] Nationality groups
[ ] Other *(specify)* ____________

21. What language was used in this political propaganda:
[x] English [ ] Other *(specify)* ____________

22. Did you file with the Registration Section, Department of Justice, two copies of each item of political propaganda material disseminated or caused to be disseminated during this 6 month reporting period?
Yes [x] No [ ]

23. Did you label each item of such political propaganda material with the statement required by Section 4(b) of the Act? Yes [x] No [ ]

24. Did you file with the Registration Section, Department of Justice, a Dissemination Report for each item of such political propaganda material as required by Rule 401 under the Act?
Yes [x] No [ ]

VI - EXHIBITS AND ATTACHMENTS

25. EXHIBITS A AND B

(a) Have you filed for each of the newly acquired foreign principals in Item 9 the following:

Exhibit A[6] Yes [ ] No [ ] Not applicable
Exhibit B[7] Yes [ ] No [ ]

If no, please attach the required exhibit.

(b) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period?
Yes [ ] No [x]

If yes, have you filed an amendment to these exhibits? Yes [ ] No [ ]

If no, please attach the required amendment.

6 The Exhibit A, which is filed on Form DJ-306, sets forth the information required to be disclosed concerning each foreign principal.

7 The Exhibit B, which is filed on Form DJ-304, sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

26. EXHIBIT C

If you have previously filed an Exhibit C[8], state whether any changes therein have occurred during this 6 month reporting period.

Yes ☐ No ☒

If yes, have you filed an amendment to the Exhibit C? Yes ☐ No ☐

If no, please attach the required amendment.

27. SHORT FORM REGISTRATION STATEMENT

Have short form registration statements been filed by all of the persons named in Items 5 and 7 of the supplemental statement?

Yes ☒ No ☐

If no, list names of persons who have not filed the required statement.

The undersigned swear(s) or affirm(s) that he has (they have) read the information set forth in this registration statement and the attached exhibits and that he is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in attached Short Form Registration Statement, if any, insofar as such information is not within his (their) personal knowledge.

(Type or print name under each signature)

(Both copies of this statement shall be signed and sworn to before a notary public or other person authorized to administer oaths by the agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions who are in the United States, if the registrant is an organization.)

N. Stitt, Director

N. Hemmendinger, Counsel

A. Taylor, Executive Secretary

Subscribed and sworn to before me at ______________________

this __________ day of ______________________, 19 ______

____
(Signature of notary or other officer)

My commission expires ______________________, 19 ______

[8] The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, constitution, and bylaws of a registrant that is an organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause shown upon written application to the Assistant Attorney General, Internal Security Division, Department of Justice, Washington, D.C. 20530.

Mr. BURKE. Are those just members in the United States?

Mr. STITT. Our members are all in the United States. We don't accept membership from abroad.

Mr. BURKE. Do you get any money from abroad?

Mr. STITT. Of course.

Mr. BURKE. How much do you get?

Mr. STITT. In the last half of 1969 we obtained approximately $172,000 from abroad.

Mr. BURKE. How is that spent?

Mr. STITT. In promoting the activities of the council. We sponsor conferences, we do research, we lobby, we go out around the country and make talks. We do everything we can to promote a growing trade between the two countries.

Mr. BURKE. I assume there is a breakdown in the report on the lobbying activities.

Mr. STITT. We separately report under the Lobbying Act, of course.

Mr. BURKE. How much is spent for lobbying?

Mr. STITT. Very little.

Mr. BURKE. In your report on your lobbying activities, you report how much has been spent in the lobbying activity?

Mr. STITT. Yes, sir. However, we are adopting the view of the Supreme Court that lobbying means personal contact with Congressmen. Our literature, for example, we don't consider lobbying. Our speaking engagements around the country we don't consider lobbying.

When I come up and talk with you, Mr. Mills or Mr. Byrnes, that I consider lobbying. The expense of that is incorporated in our lobbying report.

Mr. BURKE. I am merely trying to find out how you operate. I am not critical.

Mr. STITT. That is the law as the Supreme Court says. I am a lawyer and I try to abide by the law.

Mr. BURKE. That is all, Mr. Chairman.

The CHAIRMAN. Were you through, Mr. Stitt? Had you completed your statement?

Mr. STITT. Yes, sir, unless any members of the committee wish to question me.

The CHAIRMAN. Mr. Byrnes?

Mr. BYRNES. First, to whom did you give this statement that you are required to file under section 4(f) of the Foreign Agents Registration Act? How did you file that? It was never brought to the attention of the committee as such. It was not filed as part of the record of your appearance.

Whom did you give it to?

Mr. STITT. My wife brought it up and handed it to one of the staff members, I believe, prior to my testimony.

Mr. BYRNES. In the staff room, to one of the girls?

Mr. STITT. Mr. Lamar, did you not receive a copy of the statement prior to my appearance?

Mr. LAMAR. Yes.

Mr. BYRNES. You mean you gave it to somebody?

Mr. STITT. I gave it to Mr. Lamar sitting behind you.

Mr. BYRNES. I think this indicates, Mr. Chairman, that there is probably some staff operation that should be developed here so that the information which is filed may be brought to the attention of the committee.

But there is no question, is there, that in your opening remarks to the committee, in the only public information given either to the press or the public that was listening that day, and in the record of the hearings, you said, "I am Nelson A. Stitt, Director of the United States-Japan Trade Council, an association of approximately 800 firms doing business in the United States and interested in promoting a growing healthy trade between the two countries."

Mr. STITT. That is verbatim, that is correct.

Mr. BYRNES. That is exactly it. That is the representation made to this committee as to whom you were appearing for. Isn't that correct?

Mr. STITT. No, sir. If you take my statement, and I gave 75 copies to the committee and there were a hundred back on the table back here, and look at the bottom, you will find a label.

Mr. BYRNES. Will you describe for us the size of that print and what magnification of glasses you have to have to read it?

Mr. STITT. Frankly, I am nearsighted and in order to read it, I have to take my glasses off.

Mr. BYRNES. I have great difficulty with my glasses, too.

Mr. STITT. It is prominent on the page, sir. Do you want me to read the statement? Shall I read the statement?

Mr. BYRNES. Yes. I think it would be good to have it in the record. It is too bad our record can't show that the five lines involved here are apparently less than—certainly less than half an inch. So you can see how big that print is.

Mr. STITT. Anybody that is interested can read it.

Mr. BYRNES. Anybody that is interested could, I guess.

First, go ahead and read that into the record.

Mr. STITT. (reading):

"The United States-Japan Trade Council, Inc., is a nonprofit trade association with a membership of over 700—

This is an old statement, we now have over 800—

"firms in the United States interested in fostering trade relations between the two countries. Because a substantial contributing member, the Japan Trade Promotion Office, 111 Broadway, New York, New York, is financed from Japan, the council is registered with the Department of Justice under the provisions of 22 U.S. Code Section 611 * * * as an agent of such foreign principal.

"Copies of the council's registration statement are available for public inspection in the Department of Justice files. Registration does not indicate approval of the contents of this release by the U.S. Government."

This is a label which has met with the approval of the Department of Justice and I believe, Mr. Byrnes, if you go down to the Foreign Agents Section of the Department of Justice, you will discover—I think they will tell you we are one of the most meticulous persons there registered in submitting all the documents and everything that we are required to do by law.

Mr. BYRNES. I am not questioning your compliance with the foreign registration law. The facts that we should have were not given to the committee, and the committee was not aware of them at the time you appeared.

There is no question, is there, that in the printed hearings of your testimony the fine print at the bottom of the first page of your statement would not be included? The part that you just read would not be part of those proceedings. You did not read them in the record, did you?

Mr. STITT. No, sir. That would be in the discretion of the committee.

Mr. BYRNES. No. It is a question of what you presented personally in your oral testimony to the committee. That is what would show in the record; isn't that correct?

Mr. STITT. It depends on the record. You know, it is for the committee to make the decision. I have now read it into the record for your satisfaction, sir.

Mr. BYRNES. It was not written into the record at any time except in the very small print presented to the committee.

Let us go one step further though.

Mr. STITT. Yes, sir.

Mr. BYRNES. About the Japanese Trade Promotion Office—you are acquainted with that organization; are you not?

Mr. STITT. Yes, sir.

Mr. BYRNES. Because you say here that is the source of your money.

Mr. STITT. It is.

Mr. BYRNES. Can you tell us a little bit about that organization?

Mr. STITT. Yes, sir.

Mr. BYRNES. Does it consist of more than one man filing a statement and signing a contract with the Japanese Embassy?

Mr. STITT. One man and assistant, I think.

Mr. BYRNES. One man and an assistant constitute this organization?

Mr. STITT. Yes, sir. May I explain that?

Mr. BYRNES. I think it might be well to have that in the record.

Mr. STITT. As I said before, we are not a propaganda arm of the Japanese Government. In fact, the Japanse Government is well aware that we frequently take positions which that Government does not agree with.

Mr. BYRNES. When you say "we," you mean the council?

Mr. STITT. I am talking of the council, yes, sir. Therefore the Japanese Government does not want their name to appear on our literature, because we are taking all kinds of positions all the time which are contrary to their official position. For example, we are totally opposed to the remaining Japanese import restrictions. We are totally in favor of Japan opening the door to foreign investment.

This is not the official position of the Japanese Government. So they don't want their name to appear on materials we put out espousing a position or a cause with which the government itself does not agree. They give us full independence in determining our positions and policies.

Mr. BYRNES. I am asking you a question that I would like to have answered. Tell us something about the Japan Trade Promotion Office.

Mr. STITT. It is a one-man, one-helper office in New York, yes, sir.

Mr. BYRNES. What is its source of income which it then is able to pay to you people?

Mr. STITT. The Japanese Government.

Mr. BYRNES. Does it have a contract with the Japanese Embassy?

Mr. STITT. Frankly, sir, I don't know. I know that we have a contract with it, with the Japan Trade Promotion Office. Whether it has a contract with the Japanese Government—I presume it would, but I don't know. Perhaps you have better information than I have.

Mr. BYRNES. I don't know if it is necessary to put this in the record, but in conjunction with the registration of the Japan Trade Promotion Office there is attached a contract with the Embassy of Japan wherein the Embassy agrees to provide the Japan Trade Promotion Office, which you say consists of two people, with financial assistance to the extent required within an overall limitation of 129.6 million yen, equivalent to 360,000 U.S. dollars at the current rate of exchange.

The Embassy is to supply the funds to the JTPO quarterly in accordance with a quarterly program of activity provided in advance, and so forth.

That, as I understand it from their filing, is the sole source of income for the Japanese Trade Promotion Office?

Mr. STITT. Yes, I expect that is so.

Mr. BYRNES. And in a statement filed as part of its registration, a Mr. Yamada, who says he receives no income from this organization but is the director of it, notes that the registrant is required to provide: one, public relations measures; two, reports upon developments affecting the mutual trade; three, representation in Washington of the interests of the import and export traders concerned; four, sponsorship of special conferences and public discussions of various trade problems; five, coordination with other liberal trade groups; and six, statistics and economics of trade research.

Mr. STITT. Yes, this they do through the United States-Japan Trade Council.

Mr. BYRNES. All of their income is then turned over to the United States-Japan Trade Council, is that not correct?

Mr. STITT. You know, I don't get copies of their registration statement. I don't believe that is entirely correct. I believe on occasion they spend funds in other directions, but I don't know their statement, so I really can't be sure about that.

You see, what you are looking at is called the supplementary statement, which covers the last 6 months.

Mr. BYRNES. The last 6 months up to December 30.

Mr. STITT. That is right. During that period I don't think they spent any moneys aside from sending us at the council——

Mr. BYRNES. You showed income from them of $171,992 in your report that was filed for the period ending last December 30, is that correct?

Mr. STITT. That is correct.

Mr. BYRNES. That report also showed that all of the other income you received from membership dues was $2,280?

Mr. STITT. That is correct.

Mr. BYRNES. From these 800 firms?

Mr. STITT. That is correct. May I pass you an additional comment. Our membership dues from our American firms are due at the beginning of the year. We get in, I would say, from American firms somewhere between $13,000 and $15,000. Now you have the last half of the year, so this was just new memberships or some that drifted in late.

If you get the report for the first half of 1969, you will find that we got in $12,000 or $13,000 from our American members.

Mr. BYRNES. What did you get during that period from the Japan Trade Promotion Office?

Mr. STITT. I don't have that report in front of me, but I would suspect about the same amount. Somewhat less perhaps in the last half.

Mr. BYRNES. You mean around $180,000?

Mr. STITT. I would say more $150,000 or $140,000, but again I am guessing. Perhaps you have it.

Mr. BYRNES. I have it here. At least, the information I have is that you received from the Japan Trade Promotion Office on January 30, 1969, $60,000; on March 3, 1969, $21,583; on June 4, $85,997; for a total of $167,580.

Mr. STITT. You have it.

Mr. BYRNES. During that period——

Mr. STITT. Can you read out from that report what we got from our American membership just to even the thing up a little? It is in answer to the same question.

Mr. BYRNES. In addition to the above, $11,760 was received from members in the form of membership dues. So that during the total of the year 1969 you received about $14,000 from membership dues?

Mr. STITT. That's right.

Mr. BYRNES. And from the so-called Japan Trade Promotion Office, $167,800 plus $171,992, which would be $339,792.

Mr. STITT. I will trust your arithmetic, sir.

Mr. BYRNES. The question is, then, what is the council? And that is the question I raised in regard to the financing operation, in which $340,000 of its budget is covered by the so-called Japan Trade Promotion Office and $14,000 comes from these 800 members for whom you appeared before the committee.

Who is the council? That is the question I asked this morning. Who is the council? Is it the 800 businesses that paid in only $14,000 or is it the Japanese Government, who through the Japanese Embassy paid the money to the Japan Trade Promotion Office which in turn sent it on to you?

That is the question that I asked. That is the question I would like to have answered here now.

Mr. STITT. You state your position in a rather offensive way, if I may say so, sir.

Mr. BYRNES. That is a question of how one chooses to consider it. I am asking, who is the council? It seems to me that 98 percent or 95 percent of it is the Government of Japan.

Mr. STITT. Regardless of its financing, the council and its policies, the council consists really, in terms of its policies and positions, of its professional staff. We are not dictated to by the Japanese Government.

We talk with them, of course, but we are not dictated to. We take positions frequently not in consonance with the official position of the

Japanese Government. We consider ourselves representative of these 800 firms because they choose to join it, being fully aware, incidentally, because in our promotional materials we say, "We are registered under the Foreign Agents Act, that your dues to us are not tax deductible and we would like you to join," and we have 800 firms, of which 650 are absolutely American and many of them are extremely large corporations in this country who are interested in a growing trade.

Mr. BYRNES. If we have some time—I don't know if it is the time to do it—I would like to go into the degree to which these 800 members participate in the decisionmaking process involving, for instance, what position you would take here with respect to Mr. Mills' bill or any changes in the language of the current act? To what degree does the council—that is, these 800 members—actually participate in the decisions.

I think that would be of some interest to the committee.

Mr. STITT. Truthfully, sir, they participate very little except to the extent they write in and take positions which we take cognizance of.

We have had members resign because of some of the positions we have taken.

Mr. BYRNES. They did not give up very much in terms of their obligation to you. What is the fee for a company to join?

Mr. STITT. As I recall, our dues are $10 for students and professors, $20 for businesses, with their opportunity to become $100 sustaining members. I think at this time we have six or seven $100 sustaining members. Most of the rest are $20 corporate members.

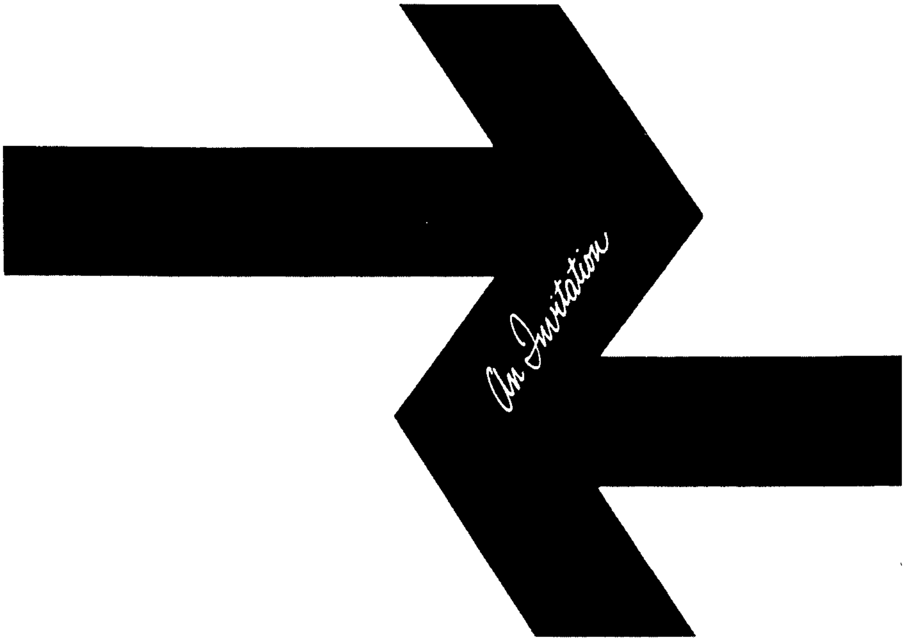
Mr. BYRNES. I wonder if you could furnish to the committee, if you have any material, what you use as an application blank, what you say you are selling these people for the amount of money that is involved.

Mr. STITT. Yes, sir.

Mr. Chairman, if I may, I would like to insert in the record as soon as I get one, one of our invitations to membership.

The CHAIRMAN. Without objection, it will be included in the record.

(The form referred to follows:)



You are cordially invited to join
the business firms and individuals
working with us to promote expanding and
mutually beneficial trade between the
United States and Japan.

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1000 CONNECTICUT AVENUE • WASHINGTON, D. C. 20036

PURPOSE

To foster good trade relations between the United States and Japan by research into the trade between the two countries, publication and distribution of reports, pamphlets and studies, testimony before official bodies, public information activities, and such other means as may seem desirable.

ACTIVITIES

Reports on Congressional and executive agency proceedings as they affect United States-Japan trade relations. The Council provides its members with a steady flow of informational and analytical reports, averaging more than 125 a year, on Congressional activities and actions of U. S. Government agencies in the field of foreign trade.

Preparation, publication and distribution of pamphlets and studies designed to foster better understanding in the United States of trade problems with Japan. In addition to Council members, these publications go to a mailing list of more than 20,000 legislators, federal, state and local officials, newspapers, associations, chambers of commerce, labor unions, economists, schools, libraries, and influential individuals.

Appearances before Congressional Committees and other official bodies on questions of trade policy. Representatives of the Council testify whenever appropriate before House and Senate committees and administrative agencies on matters of interest to the American and Japanese trading communities.

Research and Conferences. The Council conducts constant research on trade and related problems in support of its other activities, maintaining a substantial library and extensive research files. An attractive conference room serves the membership as a center in Washington for United States-Japan trade activities.

Public relations and cooperation with other organizations. The Council engages in a variety of informational activities designed to bring to public attention the advantages of United States-Japan trade. It also works closely with other organizations in defense of liberal trade policies and for improvement of United States' trade relations with Japan.

ORGANIZATION

The Council is a membership organization established under the laws of the District of Columbia. Business is conducted under by-laws approved September 16, 1957, amended March 15, 1958, and March 19, 1959, available upon request. The officers of the Council are Nelson A. Stitt, *Director,* Noel Hemmendinger, *Counsel,* and Allen Taylor, *Executive Secretary.*

MEMBERSHIP

The Council's present membership consists of more than 700 American and Japanese firms situated in the United States. There are three classes of members with annual dues as follows:

Sustaining members	$100
Regular members	20
Associate members*	10

* Restricted to individuals unaffiliated with firms or organizations.

Membership is open to business firms, non-profit organizations, and individuals interested in trade between the United States and Japan. All members receive the reports and publications of the Council and are entitled to participate in its activities.

REGISTRATION

The Japan Trade Promotion Office in New York is a member and important contributor. Accordingly, the Council is registered with the Department of Justice under 22 U.S. Code, Section 611 *et seq*. To the extent that it seeks directly to affect United States legislation, the Council from time to time also registers under the Regulation of Lobbying Act. Under neither act is the Council required to report names of members or contributors of amounts not exceeding five hundreds dollars per year.

MEMBERSHIP APPLICATION

To: United States—Japan Trade Council
1000 Connecticut Avenue
Washington, D. C. 20036

Application is hereby made for membership in the United States—Japan Trade Council. My remittance of $.................................. is enclosed. (Please check.)

Sustaining . . . $100 Regular . . . $20 Associate . . . $10

NAME ____

FIRM OR ASSOCIATION ______________________________

ADDRESS ____

______________________________ ZIP __________

Mr. BYRNES. You don't have annual meetings?

Mr. STITT. No.

Mr. BYRNES. You don't have election of officers?

Mr. STITT. No. Well, we do——

Mr. BYRNES. You and who else have been officers of this council since its establishment? Was that in 1955?

Mr. STITT. In 1956 we incorporated. I have been director ever since then. My partner, Noel Hemmendinger, has been counsel to the council since then. The rest of the professional staff has changed by years.

Our executive secretary has been with us for 6 or 8 years, something like that. The three of us—myself, counsel, and the executive secretary—are what is called the executive committee. Much of our policy is established, most of our policy is established by that committee.

Mr. BYRNES. By the three of you?

Mr. STITT. That's right.

Mr. BYRNES. The financing of your operation——

Mr. STITT. Our membership has increased through the years from 17 to 800 of American firms supporting our position.

Mr. BYRNES. That is very interesting. Yet 95 percent of your financing is by the Japanese Trade Promotion Office. There is no question in your mind, is there, as to the accuracy of the information that all of the funds of the Japan Trade Promotion Office come from the Embassy of Japan?

Mr. STITT. I believe that is correct, sir.

Mr. BYRNES. When you say, even in very small print, that a substantial contributing member, the Japan Trade Promotion Office, is financed from Japan, that leaves a lot of information unsaid, does it not? Financed from Japan does not even mean it is financed by the Japanese Government, yet it is the Japanese Government that finances the whole operation, is it not?

Mr. STITT. Sir, we went over that label rather carefully with the Department of Justice and it was approved by that Department which administers the foreign agents registration law.

Mr. BYRNES. I did not say you were violating a law. What I am trying to get at here is the impression you gave to this committee, as to whom you were speaking for, when you testified on May 19.

Mr. STITT. Mr. Byrnes, I don't want to have an acrimonious controversy. I think we made disclosure. We have it right in the front of the statement. We gave the committee a copy of our most recent registration statement, which is required, and the committee had that information available.

The committee can at any time, as you apparently have, go down to the Department of Justice and, as our label says, our registration statement is open for inspection. Is that not disclosure?

Mr. BYRNES. It is now. I think the committee, as a result of this is much better informed, and that was my basic point this morning, that the committee should know, the record should show, and anybody reading our proceedings in published form should be able to know that 95 percent of the financing of this council is by the Japanese Government. People then can draw their own conclusions.

Mr. STITT. Yes, but may I deny your——

Mr. BYRNES. It certainly is a front operation, in my judgment, when you have 95 percent of the cost being assumed by the Government of Japan, and when the decisions are made by only three people, anyway.

Mr. STITT. Mr. Byrnes, we have been in operation in Washington for almost 20 years. I think most any members of the committee will agree we are not propagandists. We do not appear as a front organization for anybody but the cause of liberal trade. Because the Japanese Government likes a liberal trade philosophy, they support us.

Mr. BYRNES. The U.S. Government is concerned because Japan doesn't want it very liberal in its own case and we have plenty of evidence on that. It is a one-way street in terms of their attitude toward liberality. They are willing to pay to have operations conducted in this country to encourage a liberality here. There is no question about that.

Mr. STITT. Our Government finances trade offices in Japan, too. The point I am trying to make is that our organization, just because it is largely financed by the Japanese Government, does not take a Japanese Government position. You can ask the Embassy or you can ask the people in Japan.

We frequently communicate with them to say we want you to tear down those trade restrictions, we want you to liberalize your investment policy. We are not just operating here in the interest of Japan.

We are operating, I think, in the interest of the United States also, as our membership seems to think, because it has grown very strongly over the years.

Mr. BYRNES. There is another point that I think should be written in the record. In the statement filed by the Japan Trade Promotion Office, in conjunction with the contract this organization has with the Japanese Embassy, it states that "we"—meaning the Japan Trade Promotion Office— "have determined that the best way responsibly to carry out these activities"—namely, the fulfillment of the contract—"is by giving full financial support as its major sustaining and contributing member to the United States-Japan Trade Council, Washington, D.C., an organization much better equipped than we to provide such services."

Does it not strike you as rather odd that the Japanese Embassy would enter into a contract with an organization—namely, the Japan Trade Promotion Office—which in turn says, "We really can't do the best job in executing the contract that we have with the Embassy. We are going to turn the whole operation over to another organization that has a fancier name, the United States-Japan Trade Council, in Washington."

Why didn't the Embassy deal directly with you? You are a counsel for them. You must have had something to do with advising them how to do this.

Mr. STITT. First, I must say I am proud of the fact that they have confidence in our council and me because they do not dictate to me and my associates, knowing we are interested in one world and liberal trade. Secondly, the reason why they do not want to see their name on our label—when I say "they" I mean the Japanese Government—is because they know damn well that we frequently take positions which are contrary to their own official position and they do not want to be speaking against themselves, which they would, of course, if our label said "the Japanese Government."

You can understand that, can't you? They can't back up everything we say officially. Of course not, because it is an independent position.

Mr. BYRNES. Apparently they are getting 95-percent value back out of the total operation.

Mr. STITT. I think they are getting 195-percent value back.

Mr. BYRNES. You use a different name and you don't have to disclose, or the record of this committee does not have to disclose, apparently, that in truth and in fact your operation would be practically defunct or nil if you did not have the funding from the Japanese Embassy.

Mr. STITT. What is new? You have the report. What is new, Mr. Byrnes?

Mr. BYRNES. That is all I am suggesting. You do not question any facts that I have presented this morning?

Mr. STITT. No, sir. They are in my report.

Mr. BURKE. Will the gentleman yield at this point?

The CHAIRMAN. Mr. Burke.

Mr. BURKE. Do any of the officers of your organization make any political contributions?

Mr. STITT. You know, the Foreign Agents Registration Act provides that if a foreign agent makes political contributions, it is a crime. So, the United States-Japan Trade Council does not and cannot make political contributions.

Now I, and presumably some of my associates, have made personally political contributions which appear in that report, because I am required to report this, to candidates for office whom we for one reason or another believe in.

Mr. BURKE. Do you have a list of those contributions in the report?

Mr. STITT. Yes.

Mr. BURKE. I don't want them right now. I am merely asking you to get some information on your modus operandi. I am not questioning your motives or anything else, but I would like to get some information.

Now as far as your public relations are concerned, do you pay out any money to any newspaper columnists or any newspaper people on public relations matters?

Mr. STITT. No, indeed.

Mr. BURKE. There is no one in this country who receives any remuneration from you?

Mr. STITT. We have public relations firms who, in turn, of course try to reach the press. They are reported.

Mr. BURKE. Do they report to whom those funds go?

Mr. STITT. As far as I know, we pay the public relations firms, of course, to try to promote our cause. It is a professional fee so far as I am concerned. If you are suggesting they are paying newspaper people to write stuff, I don't believe it.

Mr. BURKE. I am not suggesting that. I believe that that is something that is never done. You and I are realists and we believe that no newspapermen or newspaper columnist would expect any payment to put some views in the newspaper column that might sway the American public.

We believe that is not done.

Mr. STITT. I don't know whether it is done or not, but I know we don't do it.

Mr. BURKE. I am emphatically stating that you and I believe that it is not done.

Mr. STITT. That it is not done?

Mr. BURKE. Yes.

Mr. STITT. Well, we don't do it. That is all I can say, sir.

Mr. BURKE. You have made individual contributions, political contributions, and those are in the report?

Mr. STITT. Those have to be reported. For example, I don't know whether that appears in the report——

Mr. BURKE. Have you ever made any contributions to the committee "To Elect an Effective Congress"?

Mr. STITT. No, sir; not that I know of.

Mr. BURKE. That is one of the free trade political committees in the country that seems to be expending their largesse on those who follow the field of the free trader.

Mr. STITT. I am sure we have never made any—you see, to begin with, the council cannot make a contribution. Incidentally, in this particular half I did not make any. You have the report, Mr. Byrnes.

I don't know, maybe you have a few there; I don't know. I have contributed $100, for example, to Senator Dole's election. I am sorry I did, by the way.

Mr. BURKE. I am sure that helped him a great deal.

Mr. STITT. Because a friend of mine, Senator Carlson, asked me to.

Mr. BURKE. There is an area there that I am interested in because I imagine these people are doing it purely out of an idealistic point of view. You know, their enthusiasm and drive really impresses me. I would like to agree with you that none of them is accepting any money from any source.

Mr. STITT. I don't know anything about that.

Mr. BURKE. That is all, Mr. Chairman.

Mr. BYRNES. Let me ask one question.

I don't want to go into your whole operation. The only point I wanted to bring to the attention of the committee was the organizational setup here and who really is paying the bill. There is one item, though, that does seem odd since 95 percent of the funds are really from the Japanese Government.

How come you made a contribution of a thousand dollars—you say it is done occasionally—to the League of Women Voters? Is that the District of Columbia League of Women Voters or the National League?

Mr. STITT. That is the National League. We specified in our contribution—this is their anniversary or something and they have been raising a fund and they have various segregated ways by which the funds can be used.

We intentionally segregated our contribution to an area other than the political because we admire the League of Women Voters, but we did not want to contribute to their political activities. We agree with their political activities, but we made our contribution in a segregated area which does not give them any funding for political activity. We like the League of Women Voters.

Mr. Byrnes, despite the fact that you and I are having quite a debate here——

Mr. BYRNES. I don't think it is a debate at all. I think what we are interested in are the facts.

Mr. STITT. I feel in my heart the kind of positions we have taken and the causes that we have espoused to a certain extent agree with your own. I refuse to be considered as a propagandist.

Mr. Byrnes. That is entirely up to you. As I say, all I am interested in—is bringing the facts out. There is certainly no point of our going into the other connections, the foreign principals that you represent. You have a right as a good attorney to represent anybody who will hire you. I have no question about that and I am not questioning your competence in any way.

I am questioning the fact that when somebody appears before this committee and says, "We represent 800 businesses"——

Mr. Stitt. We do.

Mr. Byrnes. In the first place, you admit today that the "we" is just three people sitting in an office and saying, "We are the organizers." That is where the decisions are made. In addition, these 800 members contribute only 5 percent, with the other 95 percent coming from the Japanese Government.

Now with those facts before us, I think the public—and I think the committee—can properly judge your testimony.

Mr. Stitt. We are submitting for the record our invitation to membership. You will find that there we state clearly our purposes, we state we are registered under the Lobbying Act, under the Foreign Agents Registration Act. It is up to them.

If they choose to join our organization, obviously they stand where we stand. Those that have joined and disagreed with us occasionally have resigned and pulled out. Fine. But we have a growing membership.

I bet you next year it is 900.

Mr. Byrnes. I wonder whether some of these people want to have their name used, in a sense, as a front for what is fundamentally a Japanese Government-financed operation. I don't know how you get by that fact. Maybe other people can come to a different conclusion.

Frankly, I just can't come to any other conclusion, and I don't think your testimony here has added anything that would change that viewpoint. Maybe I am wrong. The record will speak for itself.

Mr. Stitt. If you are inclined to believe me, our positions and policies are independently taken without any dictation by the Japanese or any other government.

Mr. Byrnes. That is all.

The Chairman. I think it is important at this point for the Chair to state the policy that we follow in this committee with respect to witnesses.

We do not have everyone here who wants to appear before the committee. We confine our witnesses to those who are citizens of the United States if they are individuals and to those representing corporations that are incorporated in the United States.

Mr. Stitt's situation qualifies on both of those grounds, so there was no question raised. It is impossible for the staff of the committee to go behind the registration of an organization or corporation when it is stated that it is organized within the laws of one of our States.

We may want to consider in the future sometime, Mr. Byrnes, when we have other members of the committee in executive session, whether or not these are sufficient rules for us to follow.

The point raised here is with respect to anyone's testimony, whether there is complete disclosure of all of the facts. In this case Mr. Stitt, in the letter that you sent to all of us which covered your testimony, you did to the extent required by law.

You meet all the qualifications, of course. So far as our rules are concerned, I think, Mr. Byrnes, that the testimony—we will pass on this in executive session, but I think the testimony should go in the record that he gave since this testimony itself will be a part of the record.

If you are agreeable to that, I think we can just tell Mr. Stitt now that his original statement will appear in the record as will this testimony this morning.

Mr. BYRNES. I would make one request. As I suggested this morning, I thought the matter should be held in abeyance until we clarified the situation.

I would ask that in the record, as it is sent to the printer, the comments that I made earlier in the day, together with the comments of Mr. Stitt and myself and other members in this part of the proceeding, either precede or follow his testimony of May 19 so that a person reading that testimony is then apprised of exactly what the situation is and he can judge the record accordingly.

The CHAIRMAN. I think that is a proper suggestion. If it is agreeable then, this testimony of today—it may be dated as occurring today—will appear in the record immediately following your recent testimony.

Mr. STITT. Fine with me, sir.

The CHAIRMAN. I appreciate your frankness and I appreciate your willingness to come to the committee after being advised of what had transpired earlier this morning.

Mr. STITT. I thank Mr. Mills very much for this opportunity.

The CHAIRMAN. I respect you for doing so.

(This ends Mr. Stitt's testimony of June 11, 1970, and the following printed record reverts to the May 19 testimony.)

TUESDAY, MAY 19, 1970—Resumed

The CHAIRMAN. Mr. Goldy, Mr. Ullman wants to be recognized. He had to go back to the telephone. Will you in the meantime identify yourself for the record?

STATEMENT OF DANIEL L. GOLDY, VICE CHAIRMAN, COMMITTEE ON COMMERCIAL POLICY, U.S. COUNCIL OF THE INTERNATIONAL CHAMBER OF COMMERCE

Mr. GOLDY. I will, indeed.

May I say, Mr. Chairman, it has been a long day here, but it has been a very interesting one. I have learned something and had my memory refreshed on some of the issues I used to deal with, listening to the testimony today and questions from the Chair and the committee.

My name is Daniel L. Goldy, and I am appearing today as vice chairman of the committee on commercial policy of the U.S. Council of the International Chamber of Commerce. I am president of the International Systems & Controls Corp. The U.S. Council represents American business interests within the International Chamber, which in turn represents the international business community in some 75 countries. The membership of the U.S. Council includes some 300 major U.S. corporations deeply concerned with the U.S. economic relations with its partners both in the industrialized and in the less developed world.

The statement I am presenting today was prepared by the commercial policy committee of the Council and approved by its executive committee, and so it represents the official views of the organization as a whole. In this statement we adddess ourselves both to the provisions of the proposed Trade Act of 1969 and to those measures in the President's message for which legislation either is not required or has not yet been requested.

TRADE ACT OF 1969

(1) Basic authority for trade agreements

The Council supports the granting of authority to the President for a 3-year period to reduce tariffs by 20 percent or 2 percentage points ad valorem below the rate on July 1, 1967. The President must have authority to adjust tariffs when, for instance, an escape-clause action is warranted.

If the United States is not able to give compensatory tariff reductions in such instances, other countries would have the right under GATT to raise their duties on U.S. exports in retaliation. This is a basically negative position for the United States to be in. It is also one which tends in its nature of be restrictive of international trade—and U.S. exports in particular.

On broad policy grounds, too, we feel it is important that the United States be seen to be continuing to pursue a path of trade liberalization. The Council believes that the "housekeeping authority" called for in the bill would be a clear indication of our overall long-run objective of increasing the freedom of goods to move internationally to the benefit of all countries.

(2) *General agreement on tariffs and trade*

The Council supports authorization of annual appropriations to finance the U.S. contribution to the budget of the General Agreement on Tariffs and Trade. The importance of GATT to the international trading community and to the United States in particular seems beyond question after more than 20 years of experience, and our participation in it should be regularized.

We also feel that this authorization would have the psychological effect of giving Congressional recognition to an agreement which is basic to our international position and which has proved to be beneficial.

(3) *Foreign import restrictions and other discriminatory acts*

The Council, of course, believes that unfair competition should be countered and eliminated from the international trading scene. We feel that such acts as dumping, export subsidization, and maintenance of import quotas not justified by a country's actual balance of payments are in many cases inconsistent with the purposes of GATT.

However, we believe that the present GATT rules, if fully used, do provide some protection against such acts. Perhaps the United States has not in the past made sufficient use of existing avenues within the GATT to protect the interests of its exporters and importers, both here and abroad. We would certainly urge that the United States pursue vigorously every avenue open to it to eliminate such unfair competition.

We would judge that the reason the administration is asking for amendment of section 252 of the Trade Expansion Act is to give it additional weaponry with which to counter unfair competition abroad. As long as the purpose of this amendment is to give the United States authority to act as necessary in consonance with our own GATT obligations, and to secure compliance by other countries with their obligations, we can see no objection to the granting of the authority requested.

However, we recognize that the existence of a weapon creates the temptation to use it and pressures may be strong to invoke it more frequently than necessary and for purposes that are not always consistent with the original intent, or within the GATT framework. We would therefore welcome a commitment by the administration that this amendment would be used only in conformity with GATT. We would also hope that Congress in any amendment to section 252 would spell out the criteria to identify the specific cases when it might be brought into play. An effort to define "fair competition" is obviously attended by many difficulties, but the effort should nevertheless be made.

(4) Tariff adjustment and adjustment assistance

As noted above, the Council believes in curbing unfair competition. It does not, however, believe that "fair" competition should be the subject of any restriction. Where it is deemed politically unacceptable to permit the burden of fair international competition to fall on particular industries or groups, any action taken to alleviate this burden should be purely domestic in nature and effect.

(A) Adjustment assistance

Accordingly, the Council has consistently supported the principle of adjustment assistance and believes that the provisions of the 1962 Trade Expansion Act could well be broadened to permit adjustment assistance to be given to industries or workers, whether or not increased competition is related to prior tariff concessions. We believe that it is just to assist those injured by import competition while at the same time it is economically sound to accept this competition as an increment to national well-being rather than to curtail it to everyone's loss. The broadened provisions of the proposed bill would, we believe, permit adjustment assistance to be given more freely—and more as originally intended by the authors of the Trade Expansion Act—to help firms and individuals adversely affected by sharply increased competition from abroad. In effect, it would mean that the burden of adjusting to such competition was shared by the country as a whole, just as the country as a whole benefits from increased international trade.

(B) Escape clause

Because the Council believes in unfettered fair international competition—the principle which has done so much for the U.S. economy internally—the Council is opposed to the proposed liberalization of the escape clause. Adjustment assistance permits international trade to continue to expand in accordance with the normal dictates of competition in the marketplace while assisting those adversely affected by this competition. Escape-clause procedures, on the other hand, are restrictive, if only temporarily, of international trade and are a denial of the advantages of competition. Furthermore, when escape-clause action is taken, we are bound by our GATT commitments either to give compensatory tariff reductions or to accept retaliatory tariff increases on the part of our trading partners. In either case, this effectively means that the burden is borne not by the country as a whole but by other firms and workers in other industries.

(5) Elimination of American selling-price system

The Council strongly supports abolition of the American Selling-Price (ASP) method of customs valuation. As we noted in our testimony before this committee nearly 2 years ago, "ASP results in extraordinarily high protection for a number of the items to which it applies." The system can, in fact, operate as an absolute prohibition to competition for which the United States stands and for which we have pressed so consistently.

And, of overriding importance, ASP has become in Europe's eyes a symbol of protectionism. Our negotiators agreed in principle to seek its removal, in exchange for specific reciprocal benefits to be given us by our trading partners. Failure to eliminate ASP in accordance with this agreement would adversely affect the future credibility of the United States and contribute to the deterioration of United States-

European relations in the trade field. Elimination of ASP would reaffirm our belief in open competition and our commitment to a continued freeing of trade from artificial restrictions.

The Council feels strongly that new initiatives are required internationally to eliminate nontariff barriers to trade—and we will return to this point later—but our trading partners are not likely to respond to such initiatives until the ASP system is a thing of the past.

At present it is an anachronism which because it ties our hands in securing reduction and elimination of NTB's maintained by other countries, effectively inhibits our exports—to the benefit of a relatively minor segment of our chemical industry at a large cost to what are probably our major growth industries.

THE PRESIDENT'S MESSAGE

We would like to take this opportunity to address ourselves to three additional subjects contained in the President's message for which no specific legislation has yet been requested. We do so because we believe each is of singular importance to the position of the United States in the world of the 1970's.

(1) The less-developed countries

The Council has for a long time supported U.S. efforts to reach agreement with other industrialized countries on a generalized system for temporary tariff preferences for the manufactured and semimanufactured products, including processed foodstuffs, and for agricultural products in favor of all LDC's. Postwar trade policies have naturally been heavily influenced by the industrial countries' aims: to cut tariffs which interfere with modern growth industries, while maintaining substantial tariff and nontariff protection for agriculture and labor-intensive industries, such as textiles, where substantial trade liberalization might have certain disruptive consequences. These policies have not met the needs of developing countries, which need wider markets for agricultural products and for their labor-intensive manufactures. Barriers to international trade in cotton textiles, the principal manufactured export of developing countries, have been raised rather than lowered.

While we recognize that a generalized system of preference granted by all more developed to all less depeloped countries will not initially result in a massive growth of trade for the LDC's—or, correspondingly, in massive market disruptions in the industrialized countries—nevertheless, we do feel that it would benefit the export trade of a limited number of countries. It is our conviction that it is structurally more advantageous for the LDC's to increase their export earnings than to have to rely on increased amounts of intergovernmental aid to finance their economic development. If a generalized preferential trading system would, in fact, result in markedly increased export earnings on the part of a few more advanced LDC's, we would have reason to hope that over a period of time other lesser developed countries would also be able to benefit.

We very much hope it will prove possible to negotiate such a preferential system with the other industrialized countries. We are disturbed over the tendency of the Common Market, presently talking of expansion in Europe within the terms of GATT exceptions for common markets, to conclude non-GATT types of preferential arrangements with an increasing number of countries. It is the Council's belief that all such arrangements which inherently discriminate against other LDC's should be included on a nondiscriminatory basis for the benefit of all LDC's in a generalized system of preferences currently under discussion within the OECD.

(2) Nontariff barriers

As tariffs have been progressively lowered, increasing attention has focused on the trade inhibitive, and sometimes prohibitive, role played by so-called "nontariff" barriers. This is a difficult area to get at. It is difficult to identify barriers that too frequently are based on administrative decisions or informal understandings between government and business in other countries. It is even harder to devise means for negotiating such barriers out of existence. There is, however, fairly common agreement among the industrialized countries that these barriers are real and troublesome.

The ICC surveyed its membership of international producers and traders in 66 countries last year in an effort to identify the major barriers that had a heavy impact of trade. The results of this survey together with the ICC's recommendations for means by which these major NTB's could be reduced and eliminated have been formally submitted to the GATT and made available to the contracting parties.

The U.S. Council played an initiating role in this study, participated throughout, and strongly supports its recommendations. It is gratifying to us that much work is contemplated in this area, both within the U.S. Government and at the international level, where the contracting parties to GATT are presumed to be exchanging data and making arrangements to move toward negotiations. We are concerned that the complexity of the problem, and the difficulty of imagining negotiable transactions, may delay this work. We therefore urge the executive branch to develop promptly a realistic negotiating position, and to inform the U.S. business community of its essential goals.

Since the international business communities in other countries as represented in the ICC are as eager as we are to eliminate nontariff barriers, the Council urges that our negotiators' hands in the current GATT discussions of NTBs be strengthened by a clear statement of congressional intent that the United States should participate in a mutual lowering of such barriers as suggested in the President's message.

In this spirit, the Council opposes the use of quotas, whether mandatory or voluntary, by any country. It accordingly strongly urges that the quota proposals before this committee not be enacted. Escalation in quotas can benefit nobody. We have recognized the benefits of freer trade in the tariff field for many years, and it is important that we now recognize them as clearly in the area of nontariff barriers.

(3) For the long-term future

The Council particularly welcomes the President's decision to appoint a commission on world trade:

> To examine the entire range of our trade and related policy, to analyze the problems we are likely to face in the 1970s, and to prepare a recommendation on what we would do about them.

The reasons advanced by the President for this study and the goal—"an Open World"—the Council wholeheartedly endorses.

At its XXII Congress in Istanbul in June of 1969, the ICC—again representing business communities in 66 countries—called for the elimination of protective tariffs and nontariff barriers, with a minimum of exceptions, for all manufactured products by all industrialized countries within a period of 10 years starting from 1972. Details of how this goal can practically be achieved are presently being worked out and will include recommendations for specific commitments to liberalize trade in agricultural products and other primary commodities. In supporting this recommendation the U.S. Council noted:

> Traditional support for the freer movement of goods has taken on a new meaning in today's wo ' increasingly internationalized production. The ready movement of producer: ›ds and services has now become a structural necessity of the system of pro. tion, not just the means to incidental trade gains, and barriers, which yesterday appeared as limitations to the gains of trade, will if continued, act as a constraint on production itself. * * * The better allocation of resources that has emerged as a result—with factors of production, not just goods, moving internationally—now intrinsically requires the freeing of distribution of the end product if the gains in efficiency, and hence living standards worldwide, are to be realized.

In its strong support for this ICC initiative, the Council was well aware that the United States has a primary interest in this forward movement as the country with by far the largest stake in inernational production.

In 1968, in a statement to the office of the special representative for trade negotiations, the Council recommended that Congress give a formal U.S. commitment—possibly in the form of a joint resolution—to the goal of unfettered industrial trade, with special consideration for the special difficulties of developing countries. A resolution of this kind would point unequivocally to our goal and help maintain a sense of movement toward it.

We reiterate that recommendation at this time.

CONCLUSION

The United States faces serious problems in its international trade. We have difficulty in exporting to Japanese markets, because Japan maintains barriers to imports, contrary to GATT principles. Our agricultural exports to Europe face the protectionism of a possibly expanding Common Market, which engages in preferential transactions with a number of countries, also injurious to the prospects for industrial exports. Inflation has raised questions concerning the competitiveness of many of our goods.

But the solution lies not in a retreat into protection or in a wringing of the hands. It is rather to be found in maintaining our GATT obligations and asserting our rights under GATT, and in giving the President the necessary authority to continue to conduct negotiations for the removal of tariff and nontariff barriers. Essential to success is the abolition of ASP, the granting of housekeeping authority, and a declaration of support for negotiating NTB's. Perhaps a modification of section 252 will help, under suitable conditions. The escape clause should not be degraded, and adjustment assistance should be expanded. Quota should not be enacted.

Only in these ways can action be taken now which will preserve our trading position and enable us, in the longer term, to move toward a trading world where all barriers are reduced and eliminated. That is the sort of world, free from restrictions on trade and investment, which will best benefit the United States.

May I at this time introduce Miss Barbara Sprungli, who is with me. She is a staff assistant at the U.S. Council of the International Chamber of Commerce.

I would not miss an opportunity to introduce so charming an aide here. She carries with her the tome with all the data with which to answer the detailed questions which a full-time businessman like myself does not carry around in my mind anymore.

The CHAIRMAN. Mr. Ullman?

Mr. ULLMAN. Mr. Goldy is a long-time friend of mine and is a constituent of mine, I might say. Mr. Goldy has had a very extensive experience both in private industry and with the Government, with the Department of Commerce in the field of trade. I very highly respect his opinion and want to welcome him before the committee.

Mr. GOLDY. Thank you, Congressman Ullman.

With your permission, I would like to supplement my prepared statement with some personal observations and commitments.

May I first quickly summarize the position of the U.S. Council. It is essentially the same as the position presented by the U.S. Chamber earlier today.

The U.S. Council endorses the President's proposed trade bill of 1969, House bill 14807, with one exception. And that is that we are opposed to the revisions proposed by the President in the escape clause.

Basically, we feel that the President's trade bill represents no significant step forward, no new innovation. It represents no significant change in our trade posture in the world, but merely maintains the housekeeping authority and the ability to sort of mark time. We think that its significance lies more in what would happen if it were not enacted. If it were defeated, we feel that it would be an indication to the rest of the world that the United States might now be preparing to step backwards in the whole move toward freer international trade, rather than maintaining the posture it has had in international trade in the postwar period.

We regard the proposed changes in the escape-clause provisions as a step backwards. We feel that if there were no relationship between proposed escape-clause actions and previous tariff or other trade concessions, that whenever there was a significant bulge in imports—whether that bulge was the result of a failure on the part of the U.S. industry to maintain its investment in new plant and equipment or to maintain its technological position, or whatever—that the pressures would be enormous on the President to provide escape-clause relief.

Of course, when escape-clause relief is provided, it means that other countries can, in effect, take compensation by raising their trade barriers or tariffs on other items, thereby penalizing other industries which are in a more favorable export posture with respect to them.

We recognize that because the U.S. trade surplus has declined substantially since 1964, and because of the recent bulge in imports, there has been growing pressure within the business community and, as we heard this morning, from labor, for a significant step away from freer international trade and toward protectionism.

In these circumstances, with these pressures developing, it would be possible to make a very grave error at this time in the sphere of international trade. In our view, a major move toward protectionism by the United States, which has been the leader in the worldwide movement toward freer trade, could reverse the whole course of economic history since the end of World War II and start the world down the road to trade warfare and attempts at economic self-sufficiency.

Those old policies lead inevitably to the tensions and disagreements that produce World War II. The free-trade policies that have been practiced since the end of World War II have contributed in a major way to the dynamic economic growth and prosperity of the free countries of the world.

I might say, Mr. Chairman, I appreciated very much your comments during the hearings today indicating that you yourself are dedicated to the concept of freer international trade and do not want to go backwards, notwithstanding the fact that you recognize there are some difficult problems.

The CHAIRMAN. On a reciprocal basis. I always add that.

Mr. GOLDY. One of the significant reasons for the recent bulge in imports in our view has been the inflation that has afflicted the United States in recent years. Any reversion to a protectionist trade policy, such as the application of quotas, would contribute to further inflation. Not only would we be banning lower priced imports to be replaced by higher priced domestic items, but also we would be eliminating the economic incentive for domestic industry to become fully competitive.

The U.S. economy is now unfortunately in a recession. Among the results that can be anticipated, however, is that imports will decline and exports will increase. It would be sad, indeed, if just at the time the United States is pressing hardest to increase exports to other countries, we give them the legal and moral opportunity to shut off our exports in retaliation for our imposition of quotas.

The United States does have serious trade problems, which if unresolved will result in more and more pressure to ban imports. I believe it is important that this committee be fully cognizant of the nature of these problems so that it can exert all of its influence to have them corrected, rather than seeking to apply a false remedy for the ailment.

In evaluating our shrinking trade surplus, the most emphasis has been placed on the bulge on imports resulting from domestic inflation. I would like to call attention, however, to a failure on the part of the executive branch to deal effectively with certain aspects of the problem of facilitating an increase in our exports. Before enumerating some of the things which I regard as failures by the executive branch in promoting and facilitating the expansion of exports, may I say, though, that notwithstanding all the problems we have had since the end of 1964 or early 1965, that exports in the period 1965 through 1969 have increased by $10 billion a year, an average annual increase of 8.7 percent.

46-127 O—70—pt. 4——14

This is a rather significant increase, but it was done—if you can use the analogy of sending the American business community out to fight the battle for increased exports—with at least one if not both hands tied behind our backs.

I think the urgent need, in order for freer international trade to benefit fully the U.S. economy, is to untie the hands of American business to go more vigorously after exports.

I also think we should examine carefully the nature of the change in our trade surplus; we had a trade surplus of $5.3 billion in 1965, and by 1969 this surplus had declined to $1.3 billion. The $4 billion decline is entirely accounted for by the drop in our trade balance with only three countries—Canada, Germany, and Japan. In each case there were special circumstances. Our trade surplus with the rest of the world in 1969 was $4½ billion, which is essentially unchanged from 1965. I think that is significant.

Now I would like to run through with you some of the significant items which represent a failure on the part of the U.S. Government to back up the exporters of the United States, and which have, in effect, led to what I referred to as tying our hands in the battle for exports.

First, I would like to call attention to the fact that the United States does not provide adequate and competitive export financing for its exporters. This is particularly serious for capital-goods exporters.

The capital-goods segment of exports is very significant to our trade balance. It is one of the largest categories of exports. Virtually all exported capital-goods must be financed. The United States has never provided as liberal financing arrangements as is available to exporters from other countries, which are more sophisticated in trade matters.

We had begun to make significant strides in this direction, however, in 1964. During that year our exports increased 15 percent, and we enjoyed the greatest trade surplus in recent history, over $7 billion. Then in February 1965, as a part of the new balance-of-payments program, ceilings were placed by the Federal Reserve Board on export credit. This single act had a disastrous effect on exports in 1965.

Our trade surplus declined in 1965, $1.9 billion under what it was in 1964. I advised the Cabinet Committee on the Balance of Payments, and I warned the President, early in the year, what the effect would be of the action of the Federal Reserve Board in placing ceilings on our export financing.

My estimate in March of 1965 was a drop in the trade surplus of $1½ to $2 billion. It turned out to be $1.9 billion. Notwithstanding the need for a significant increase in our exports, the Federal Reserve Board ceiling still remains on export finance.

Moreover, the United States does not have a rediscount system for export finance comparable to that provided by other countries. No other developed country in the world requires that exports be financed at the same high interest rates as prevail in the domestic economy.

At the present time, U.S. capital exporters must bear financing costs of 11 percent or more and compete with financing available from other developed countries in the range of 5½ to 7 percent.

Project loans are supplied by the U.S. Export-Import Bank at reasonably competitive rates, but the bulk of Ex-Im financing is provided through guarantees of private-bank financing, and there is an absolute budget ceiling on Ex-Im export credit imposed by the administration, which appears to thwart the intentions of Congress when it increased the loan authorization of the Bank.

Perhaps I ought to explain a bit more and make clearer what I am saying. While the Export-Import Bank does provide some project loans in some instances at a rate of 6½ percent, which is reasonably competitive, the bulk of our export financing is supplied through guarantees of the Export-Import Bank and financed by private banks. This financing carries rates of 11 percent or higher. At those rates U.S. producers are just not competitive with the rest of the world.

The fact that we have been able to maintain the exports that we have in the face of these financing handicaps is nothing short of phenomenal. The point I want to make is that it indicates that American business can be competitive. Indeed, it is competitive. But we are struggling against major obstacles, and these obstacles are put in the way by our own Government by not providing facilities that are comparable with those that other countries provide to their exporters.

I want to point out one of the effects of this provision I am talking about.

This morning I heard the testimony delivered on behalf of the AFL–CIO by my good friends, Andy Biemiller and Nat Goldfinger. They expressed the deep concern of labor over the extent to which American business invests in facilities abroad and produces abroad. What is an American producer to do if he wants to export?

If he can get 5½ percent export financing from the United Kingdom, that serves to more than offset the inefficiencies that prevail in manufacturing in the United Kingdom. And, even more important, with a severely limiting budget ceiling imposed by the administration on the Export-Import Bank, producing abroad may be the only way to get any financing so that we can export to other countries.

This is the kind of self-defeating policy that drives American industry to invest in facilities in other countries. I don't think there has been a full appreciation of this deficiency in our export system. Until this policy failure is corrected, I don't think that the committee ought to conclude that our situation is hopeless, that we can't compete, that we have to build trade walls around us.

I strongly suggest that the effort that ought to be made by the Congress, by the members of the private-business community, and by labor should be directed at correcting this kind of administrative policy.

Now if I may go on, in the field of taxes most developed countries provide one type or another of tax incentive or tax advantage to assist their exporters to go after their share of world markets. No such tax advantages are available to U.S. exporters.

This whole area of taxes and the disparity in tax treatment is one that is very pertinent to the mission of the House Ways and Means Committee. I trust that the committee, if it has not already had an opportunity to do so, will look thoroughly into the disparities in tax treatment here and abroad in this regard.

The third point I would like to make is with respect to freight rate disparities. We have not heard much about them in the last couple of years, but I am sure that most of the ocean freight-rate disparities still exist. I am referring to the arrangements whereby the steamship conferences charge significantly more for comparable freight moving from the United States going abroad than they do for the freight moving into the United States. This is tantamount to an extra tariff barrier.

So that everyone knows what I am talking about, let me give you a specific example.

Hardwood plywood is shipped by Japan to the United States. Softwood plywood, at least for a time, was being shipped out of the Pacific Northwest to Japan. They are used for different purposes. But the plywood looks the same, weighs pretty much the same, and it fits the same way on a ship.

The last time I checked, there had been an adjustment in rates. It used to be that the freight rate from the United States to Japan for plywood was three times the freight rate from Japan to the United States. But enough complaints were made in the United States to force a freight-rate adjustment by the steamship conference. Now we have the rate down to the point where it only costs us twice as much to ship plywood to Japan as it costs to ship plywood from Japan to the United States. I think that is probably the prevailing conference rate at the present time.

Mr. Chairman, there are examples of this all over the world, where you have steamship conferences operating. There is a historical reason why these disparities developed during the period when the United States was the principal exporter and supplier of goods after World War II and before the economies of the other countries recovered. But this is the sort of absurdity that ought to be corrected, and the U.S. Government ought to be pursuing it vigorously to take the handcuffs off our exporters.

Another point, even more absurd if you can believe it, is that within the United States certain railroad freight rates are much higher on goods destined for export than they are for the same goods traveling over the same rails, the same distance, if they are destined for domestic consumption.

Coal is an example. We have great opportunites for exporting coal, but the railroad freight rates on coal, if it is destined for export, are much higher than on coal destined for domestic consumption. This is rediculous.

No other developed nation of the world would permit a self-defeating arrangement like this to continue within its own borders.

The final point I would like to make in this regard has to do with the proposal in the President's proposed bill before this committee.

Except in the case of certain agricultural commodities, the executive branch has not had discretionary power to retaliate effectively in situations where other countries discriminate against our exports or erect barriers to our goods. The administration has asked for such authority in the trade bill pending before this committee. And we, of course, support the granting of this authority enthusiastically.

We think that the administration ought to be armed with the kind of discretionary authority so that it can move in and force the elimination of unfair barriers and discriminatory arrangements, when they are erected, and not wait for the long drawn-out process of GATT negotiations.

With respect to the import side of the equation, we believe it would be unwise in the extreme to eliminate or reduce the effects of import competition in making the U.S. economy more competitive and forcing it to adjust to new types of products, such as small subcompact automobiles.

I notice Congressman Corman raised the question about automobiles. I believe it is a good one. I doubt that Detroit would be moving to the subcompacts today were it not for the fact that the subcompacts and small sports cars from abroad were making such a dent in our import market.

This is the kind of internal economic adjustment that comes into being and which ought to come when somebody builds a better mousetrap—or in this case a better automobile—abroad that meets the situation better. I don't think we should shelter our industry from this type of adjustment.

We support the liberalization of adjustment-assistance provisions to aid industry and labor to adjust to adverse condititons created by import competition.

Most important, however, is that with the repeal last year of the investment-tax incentive, the United States does not now provide comparable opportunities for its industry to invest in new competitive plants and facilities as contrasted with other developed countries. The United States needs the most modern installations of plant and equipment if it is to compete with imports from outside, and if it is to take advantage of the enormous opportunities for trade expansion throughout the world.

I might say, Mr. Chairman, when I was in the Commerce Department, I was one of those who went around the United States making speeches advocating the adoption of an investment-tax credit in 1962. I was delighted when it was enacted, because it was a significant part of our trade-expansion program.

At that time we had studies indicating that the United States had fallen far behind the rest of the developed countries in modernization of tools and equipment in our plants. While we have had recent high levels of plant and equipment investment—and, I guess, the administration thought it was over-heating the economy to have this kind of investment going on—I submit that with a recession going on now and an inflation raging at the same time, people will come to recognize that one of the great mistakes was to repeal the investment-tax credit.

I think we need a tool of this kind, like other countries have, to make sure that our industry can keep abreast of modern technology and compete throughout the world.

As the developed countries of the world achieve standards of living and per-capita gross national products comparable to our own, and as the economies of the less-developed countries move more rapidly into the 20th century so that their per-capita incomes rise, the worldwide demand for goods and services will increase in astronomical quantities.

World trade in the decade 1958 to 1968 grew at an average annual rate of 8.3 percent in value, and 7.7 percent in volume. If it continues to grow to 1980—that is through the 1970's—as fast as it did in the last 8 years, it could amount to over a half-trillion dollars annually.

The aim and objective of the United States should be to get its fair share of these tremendously growing markets. By doing so, it can provide the opportunities to maintain full employment for our growing labor force here at home. Our efforts therefore should be directed at breaking down the remaining barriers to freer trade, rather than erecting any new ones of our own.

We particularly must avoid at all costs setting in motion a new wave of protectionism that could plunge not only the economy of the United States, but also that of the rest of the world into a major depression.

There has been particular concern in the United States about imports from Japan. Japan now enjoys a favorable balance with the United States of about $1.5 billion per year. When I visited Japan as National Export Expansion Coordinator for the President in 1964, the favorable-trade balance was on our side.

The United States hae serious and legitimate grievances with respect to the trade policies of Japan. We do have recourse, however, through GATT. We would undermine, however, our legal and moral position in taking the Japanese before GATT if we ourselves violate the GATT rules.

With respect to our trade problems with Japan, I would like to make the following points:

I listened to the previous testimony by the representatives of the Japan-United States Business Council with great interest, but I did not agree with much of it. Japan has developed a defense in depth against penetration by outsiders. Eliminating tariffs and even quotas will not solve the problem of exporting to Japan, in my opinion. It is essential that U.S. business have the right to acquire or establish businesses in Japan. Without this right to freely do business in Japan, as Japan has the right to freely do business in the United States, there is no practical way we can penetrate the Japanese markets except under the limitations, terms, and conditions which they impose.

The reason I am stressing this point is not only because it is pertinent to the testimony that this committee has just heard from the Japanese-United States Business Council, but also because it is important refutation of the testimony you heard this morning from the representatives of labor who recommended in effect that additional restrictions be placed on the freedom of U.S. businessmen to invest in facilities abroad. Investment in businesses and production facilities abroad is just another tool, like exporting itself, to obtain market penetration. And private investment abroad contributes significantly to increasing exports. It is estimated that approximately a fourth of U.S. exports are to the foreign affiliates of U.S. companies. The reason I say that, in the case of Japan, I see no way in which we can export effectively without the right to do business freely. This is illustrated by the problem with which Congressman Ullman has been faced in the Pacific Northwest with respect to the forest-product industry.

Japan maintains a very high sheltered lumber and plywood price, and there is no way for U.S. producers to get directly into this sheltered market to sell and distribute lumber and plywood. It is not a problem of tariffs and it is not a problem of quotas.

The forest products manufacturers of the Pacific Northwest would love to be able to sell their lumber today in Japan at $160 a thousand board feet, instead of at the $60 to $70 that it brings in the United States, where we have a housing recession underway—but there is no way.

To export lumber to Japan, the U.S. producers must sell to the trading companies which control the channels of distribution in Japan. The trading companies buy at U.S. prices and take all the markup to the sheltered price levels of Japan. There is no way around the trading companies unless U.S. businessmen are free to set up businesses in Japan, just like the Japanese are freely setting up businesses in the United States.

I submit that if those arrangements remain, the trading companies will control the amount, terms, and conditions of Japanese imports no matter what is ostensibly done with respect to tariffs and quotas.

Now, if I may, I would like to take a longer look ahead. The committee has raised the question—and it is a very pertinent question—if we do have these trade problems, what is their long-term solution?

If we look ahead, and try not to set the clock back, try not to go back to restrictive protectionism—policies that lead to tensions between countries and attempts at economic self-sufficiency—what answer is there?

Well, we think that the answer lies first in a vigorous attack on the nontariff trade barriers. They have assumed more importance as tariff barriers have been stripped away.

They have always been there. But I think, by one means or another they have been made more important. Perhaps they are being used in more important ways? But surely one of the reasons they are more important is that as you strip away the tariff barriers, there are the nontariff barriers. They are now the principal obstacles impeding trade.

Now, how can we do this? How can we negotiate away nontariff trade barriers? They are much more difficult to dismantle than tariff barriers. The problem that I mentioned with respect to Japan and the Trading Companies is much more difficult to deal with than the problem of just taking off tariffs. How do we do it?

The International Chamber of Commerce at its Biennial Congress held in Instanbul last year recommended a program for the progressive elimination of all trade barriers on manufactured goods over a 10-year period, beginning in 1972.

Essentially what the ICC was saying is that all of the developed countries ought to adopt an agreement that by the end of a certain period there will be no more barriers to trade, tariff or nontariff, and that a mechanism should be set up to police the agreement and to work with the countries to accomplish it.

This is essentially the device which has been used within the Common Market of Europe and by the European Free Trade Association to achieve the very substantial progress they have made among themselves in eliminating the trade barriers that have existed.

The International Chamber is also working on recommendations to extend the same idea to agriculture and other product areas besides manufactures.

This idea—along with others that might be pertinent to dealing with the basic trade problems over the long haul—we hope will be studied by the Commission on International Trade and Investment proposed by President Nixon. We hope the President will go ahead with the Commission, and we trust that it will look into proposals of this sort as possible answers to the question of how to take the necessary next steps toward freer international trade. That Commission should not be hampered in its study by any failure to enact, at this time, the minimum legislation that the President has proposed to prevent our sliding backward in the interim.

Mr. Chairman, those basically are the supplementary comments I wished to add to my prepared statement.

I would be delight to answer any questions which the committee may have.

The CHAIRMAN. Mr. Goldy, I am sure your statement will be helpful to the committee. We will all read with pleasure your formal statement again in the record.

Are there any questions of Mr. Goldy?

Mr. ULLMAN. Mr. Chairman.

The CHAIRMAN. Mr. Ullman.

Mr. ULLMAN. I have no questions at this late hour, but I just want to say that you have raised I think in a very articulate way a number of questions with respect to the export policy that we should be considering, certainly the administration should be considering: the matter of transportation rates, matters of tax incentives, the investment tax credit, itself, and particularly the export financing. I think that is a terribly important item, and I think you have highlighted it, and I could not agree more.

I think you have articulated the situation with Japan probably as well as it has been articulated.

In addition to the problem you mentioned in the Pacific Northwest, we have had the problem of log exports. We have approximately I think $500 million in log exports now.

Mr. GOLDY. The actual export of logs themselves is in excess of 3 billion board feet. And if I may comment on it, I am sure this committee has been in the middle of the discussion over the inflation that occurred in lumber and plywood prices in the United States when housing starts reached the level of about 1.7 or 1.8 million a year or so ago.

Unfortunately, that problem has been solved in the wrong way by the imposition of severe restraints on credit, and halting the growth in the money supply. So U.S. housing starts have plunged.

If the administration and the Federal Reserve Board now see fit to ease money and credit supplies to stimulate the economy, and try to do something about the recession by stimulating housing—which I think they will probably want to do—as soon as housing starts rise again to the level of 1.5 to 1.6 million, we are going to have exactly the same inflationary problem we had before in lumber and plywood prices because of the Japanese taking over 3 billion feet of raw. unprocessed logs.

How can the Japanese obtain those logs in competition with U.S. producers? They can do it because they have a sheltered domestic market for lumber and plywood. They can and do pay more for the unprocessed logs than the prices received for end products by our domestic producers in the United States. They can do this only because we are not permitted to compete for their end product market in Japan. We cannot do business in Japan.

Mr. ULLMAN. We have a $1.5 billion deficit, approximately. Yet we also have $0.5 billion of exports of logs to counter the deficit. If it were not for the log export picture, which is really a minus item in our economy, because we will need these logs ourselves, and it has been a very serious problem for some of the lumber producers in the Pacific Northwest, if it were not for that, this would be up to $2 billion.

I again want to compliment you, Mr. Goldy. We are glad to have you before the committee.

Thank you, Mr. Ullman.

The CHAIRMAN. Are there any further questions?

If not, again we thank you, Mr. Goldy.

Mr. GOLDY. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Lannon.

There are two witnesses following Mr. Lannon, Mr. Golden and Mr. Grant. Are you both present?

We will get to you as quickly as we can.

Mr. Lannon, if you will identify yourself for the record, we will be glad to recognize you, sir.

STATEMENT OF ALBERT LANNON, WASHINGTON REPRESENTATIVE, INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION

Mr. LANNON. My name is Albert Lannon. I am the Washington representative of the International Longshoremen's and Warehousemen's Union.

The International Longshoremen's and Warehousemen's Union represents some 60,000 workers in Alaska, Hawaii, California, Oregon, Washington, and British Columbia, and has historically held to a free trade position. We maintain that position. Our last international convention, in April 1969, unanimously adopted the attached resolution, which we ask be included in the record.

The CHAIRMAN. Without objection, it will be included in the record.

(The resolution referred to follows:)

FREE TRADE

The direction of American trade policy should be toward elimination of trade barriers and toward expanded trade with all nations, east and west.

In recent years there has been a drive by some industries, especially steel and textiles, for establishment of trade barriers in the form of quotas and tariffs. Some unions, seeking easy answers to the problems of automation and runaway shops, have jumped on the protectionist bandwagon.

A flood of quota bills was introduced in the 91st congress. If enacted, they will mean fewer jobs and higher prices. A trade war of mutual retaliation, of escalating barriers to free trade, could lead to economic chaos, including devaluation of the dollar and austerity programs such as have been imposed on the workers of Britain and France. The quota bills should be defeated.

Further, vast markets exist in which the United States is not playing the role it could and should. The foreign trade of the eastern European countries totaled more than $45 billion in 1967. The U.S. was involved in only about one percent of it.

A giant market in China, not ignored by the Canadian government for example, has been eliminated from our trade routes as a result of political cold war. Expanding trade with China and other large sections of the world would have many positive effects—improving our balance of payments, creating new jobs, promoting international understanding and peace.

Mr. LANNON. The arguments for expanding, freer trade are well known: improving balance of payments, creating new jobs, reducing prices to consumers through competition, assuring diversity in the marketplace, promoting international understanding. In today's inflationary economy, where working people have to run like the dickens just to stand still, imports offer one small measure of price control. We note that Canada, also suffering from inflation, has taken steps to encourage imports in an effort to bring prices down through traditional free competition.

The arguments against restricting trade are also familiar: restrictions would lead to increased inflation, increased monopolization, and less competition, loss of jobs connected with both imports and exports, and retaliation from our trading partners, which—when added to the disastrous economics of an inflationary recession combined with the recent escalation of the never-ending war in Indochina—could hit the American worker right in the breadbasket through wage controls, recession, dollar devaluation, and/or a British or French style "austerity program."

We believe that all workers, American and foreign, gain through increased trade, and that trade restrictions—despite possible short term protection—will hurt all workers in the long run. Saying that, we recognize that a substantial section of the American labor movement has taken a turn towards protectionism. We believe they are making a mistake. We do, however, agree with an aspect of the AFL-CIO position as it was set forth this past March by Research Director Nathianiel Goldfinger:

"* * * a major part of America's problem in international trade is directly related to the foreign investment and foreign-subsidiary operations of American companies."

The Commerce Department estimates that direct private investment abroad totaled $6 billion in 1969. The Federal Reserve Board estimates the 1969 value of U.S. companies' investment in foreign affiliates and subsidiaries to be nearly $70 billion, a situation whch surely does violence to our balance of payments and employment problems.

The AFL-CIO proposes, and we endorse, governmental action to stop subsidizing U.S. corporations in setting up foreign plants, curbing the outflow of American foreign investment, and regulating and controlling the operations of U.S.-based multinational corporations.

These American firms operating abroad compete with and reduce U.S.-produced exports. These products, if made by American workers and then shipped abroad, would aid both the American employment and balance of payments situations. American firms operating abroad also increase the flow of imports to the United States, American-brand products which rightfully should be manufactured or assembled here at home.

The AFL-CIO points out, quite correctly, that "the U.S. Government has no tenable policy to handle the problem of multinational companies. It doesn't even have a tenable theory." Indeed, such a policy must inevitably challenge the assumptions and prerogatives of corporate power. From that thrust towards the crux of a real problem, however, the Federation turns and addresses its attention to securing import quotas, with current emphasis on textiles and footwear.

These hearings will develop much information about a textile industry whose profits have more than doubled in the last 10 years, about an apparel industry whose profits have nearly tripled in the last 10 years. These are documentable facts. What is, unfortunately, not documentable is a "Southern strategy" which must piece off Southern textile barons, regardless of facts.

These hearings will develop information about the decline of the shoe industry in New England. What will be hard to develop—but what must be ascertained if intelligent judgments are to be made prior to enacting legislation—is the number of plants which have left New England to reopen elsewhere. Jobs have certainly been lost in the shoe industry in Massachusetts, but have grown in Maine. U.S. Shoe did close its plant in Claremont, N.H., but built a 50,000 square foot women's shoe factory at Jackson, Ky.

We must ask our colleagues in the labor movement: how many jobs are being lost due to runaway plants seeking higher profits through low-wage, nonunion labor, both here and abroad? How many jobs are being lost due to automation and mechanization? Or due to an unstuck economy caused by a costly, and seemingly endless, war? These questions are key to any realistic appraisal of possible relationships between job losses and imports. They are difficult questions, because, as with multinational conglomerates and the export of capital, they question the prerogatives of management, and of Government. It is, we note with regret, easier to adopt a jingoistic approach and proclaim, as did a New York union official recently: "We will not permit Japan to commit another Pearl Harbor in the clothing industry."

The International Longshoremen's and Warehousemen's Union opposes H.R. 16920 and all other import quota proposals. While recognizing and deploring protectionist pressures in other countries which have raised nontariff trade barriers, the United States, as the world's leading trading nation, cannot afford to play copy cat. As a union, we endorse a negotiated approach to lowering barriers of all kinds between nations.

A major step which would both fulfill a commitment and demonstrate our good faith in seeking to lower trade barriers would be the elimination of the American selling price, as proposed by both this and the previous administration.

The proposed Trade Act of 1969 is a modest, but vital, step in the direction of freer, expanding trade. In addition to repeal of the ASP, we support the proposed authority to reduce tariffs, to improve adjustment assistance to meet, as the President said, "injury truly caused by imports," and funding of American participation in the General Agreement on Tariffs and Trade.

Additionally, we welcome the actions of Congress in reducing barriers to East-West trade through revision of the Export Control Act. We also welcome Administration actions to reduce barriers to trade with China. We hope that these will be the first of many steps towards opening and expanding trade with these important sections of the world.

Finally, we might best sum up our outlook by quoting former Special Trade Representative William Roth, who warned in his final report:

"There are great dangers ahead * * * dangers of serious international confrontation among the trading nations and of incipient protectionism as well. However, there are also great and exciting opportunities to build even further towards a freer world market * * * We will lose these opportunities if we abandon our faith in the benefits of competition and replace it with a philosophy of market sharing. We must not adopt import quotas as a major instrument of our trade policy."

Thank you, Mr. Chairman.

The CHAIRMAN. We thank you, Mr. Lannon, for bringing to us your statement representing the position of your organization.

Are there any questions of Mr. Lannon?

Thank you very much, sir.

Mr. Golden.

Will you identify yourself for the record.

STATEMENT OF DAVID A. GOLDEN, TARIFF AND CUSTOMS COUNSEL, UNITED STATES POTTERS ASSOCIATION

Mr. GOLDEN. My name is David A. Golden, and I am an attorney associated with the firm of Lamb & Lerch, located at 25 Broadway, New York, N.Y. I am tariff and customs counsel to the United States Potters Association, located in East Liverpool, Ohio.

The United States Potters Association is one of the older trade associations in the United States, having its beginning in 1875. At the present time, the association is comprised of four active members and approximately 25 associate members. All of the active members are producers of earthenware dinnerware. The four active members are:

Cannonsburg Pottery Co., Connonsburg, Pa. 15317; The Hall China Co., East Liverpool, Ohio 43920; The Homer Laughlin China Co., Newell, W. Va. 26050.

The Taylor, Smith & Taylor Co., East Liverpool, Ohio 43920.

I might state at this time, Mr. Chairman, you spoke about Appalachia. Most of the potteries in the United States that still exist are located right in the Appalachian area.

I would like to state for the record Mr. John T. Hall, president of the Hall China Co., was supposed to be here with me this afternoon. I got a telegram from him this morning. He is laid up with the flu.

I will try to answer any technical questions that may be thrown at me, but the purpose of Mr. Hall's being here was for the answering of any technical questions.

TO LIBERALIZE ADJUSTMENT ASSISTANCE CRITERIA FOR FIRMS AND WORKERS WITHOUT LIBERALIZING THE ESCAPE CLAUSE PROCEDURES FOR DOMESTIC INDUSTRIES WOULD BE LESS THAN A NULLITY

A. History of the escape clause

From the beginning of the Trade Agreements program there has been concern that as a result of a decrease in import restrictions there would be such an increase in imports as to seriously injure or to threaten serious injury to domestic manufacturers. When the President was given authority in 1934 to reduce import restrictions, he committed himself to use the authority in such manner as not to injure sound and important American industries. However, in administering the Trade Agreements Act, it soon became apparent that some domestic industries would be seriously injured. An "escape clause" was, therefore, included in trade agreements which permitted the United States to withdraw a concession under certain conditions.

The Trade Agreements Extension Act of 1951 for the first time had an "escape clause" procedure provided for by statute, section 7. This provision in substance held that the Tariff Commission should investigate all escape clause applications, imposed a time limit for the investigation, and allowed an actual as well as a relative increase in imports to satisfy the procedural criteria.

The Tariff Commission pursuant to the investigation then had to determine if as a result in whole or in part of concessions granted, imports of the article under investigation were being imported into the United States in such increased quantities, either actual or relative, as to cause, or threaten, serious injury to the domestic industry producing like or directly competitive products. Section 7 of the Trade Extension Act of 1951 was reenacted in 1955 and 1958. It lasted until 1962.

B. Application of the escape clause

Under section 7 of the Trade Expansion Act of 1951, and its reenactment, 113 investigations were completed by the Tariff Commission. Of that number of investigations, the Tariff Commission found that in 33 investigations the criteria for injury was met by the domestic industry and recommended to the President that relief be granted, in eight investigations the Tariff Commissioners were divided as to their findings and therefore the cases had to be referred to the President for disposition, and 72 cases were dismissed by the Tariff Commission on the grounds that the domestic industries did not meet the criteria set up by Congress for relief.

Of the 41 investigations referred to the President, 15 were granted relief pursuant to the statute, and 26 were denied relief.

C. Changes made in the present act (Trade Expansion Act of 1962). From section 7 of the Trade Agreement Extension Act of 1951

In the Trade Expansion Act of 1962, Congress enacted a sweeping reorganization of safeguard procedure which among other things made a form of relief available to groups not covered by earlier acts, such as individual firms and employees of injured industries. Under the 1962 act, the President could provide relief in cases of injury to an industry, firm, or workers by withdrawing or modifying the concession, or he may grant trade adjustment assistance such as loans, tax relief, and technical assistance. During the debates in Congress on the 1962 legislation, it was held out to labor as an inducement for the passage of the act that individual groups of workers not provided for under previous legislation could obtain trade adjustment assistance.

However, in addition to the attempted beneficial changes made by the 1962 act, the criteria for "injury" was changed, which change made it almost impossible for domestic industries, firms, or individuals to get any trade adjustment assistance.

Before the Commission can make an affirmative finding under section 301(b)(1) of the Trade Expansion Act of 1962, it must determine (1) that the imports in question are entering the United States in increased quantities, (2) that the increased imports are a result in major part of trade agreement concessions, and (3) that such increased imports must have been the major factor in causing or threatening to cause serious injury to the domestic industry concerned. If the Commission finds in the negative with respect to any one of these three requisites, it is foreclosed from making an affirmative finding for the industry.

D. Difficulty of qualifying for relief under present criteria

Since the drastic change made by Congress in the act of 1962 in determining the criteria for injury to be found by the Tariff Commission, it has been most difficult to qualify before relief can be secured by an industry, firm, or individual. From the enactment of the 1962 Trade Expansion Act to date, domestic industries have filed 17 petitions with the Tariff Commission for investigation and trade adjustment assistance. Domestic firms have filed nine petitions, and workers have filed 20 petitions. In all, 46 petitions have been filed, of which three industries have been granted relief, six workers' petitions have been favorably acted upon, and no firm or company petition has met the criteria.

E. The U.S. Potters Association was one of the many domestic industries denied relief after an escape clause hearing by the Tariff Commission under the present criteria

An excellent example of relief denied under the present escape clause criteria is the petition filed by myself on behalf of the U.S. Potters Association. It was the first case which came before the Tariff Commission for relief under the Trade Expansion Act of 1962. As a matter of fact, the petition was filed under section 7 of the Trade Agreement Extension Act of 1951 as amended, and the hearings were also held under the provisions of the act.

However, before the Tariff Commission could render its findings, the Trade Expansion Act of 1962 was passed, and, therefore, this petition had to be adjudicated under the new act with its changed criteria for "injury."

The Commission found that there was an upward trend of imports of earthenware, tableware, and kitchen articles, and that such earthenware "is being imported * * * in * * * increased quantities" within the meaning of the Trade Expansion Act (p. 4—Report to the President on Investigation No. 7-114—TEA-1-2). They also found, in one category, that the significant increase in imports occurred years after the duty reductions were made, hence the duty reductions could not be the major cause of the increased imports.

The Tariff Commission stated that 15 domestic producers of earthenware had ceased production, eight of which terminated production in the period 1957-1961. Production declined from 30 million dozen pieces in 1954 to 26.8 million dozen pieces in 1957, and to 22.1 million pieces in 1958. Production then increased to 24.4 million dozen pieces in 1959, and declined to 21.6 million dozen pieces in 1961. In all of the years 1957 through 1961, dinnerware accounted for more than 98 percent of the total quantity of earthenware produced. Sales of household earthenware by domestic producers declined from 26.4 million dozen pieces valued at $47.15 million in 1957 to 23 million dozen pieces valued at $48.4 million in 1961.

During 1958–60, the average annual imports were 17 percent greater than 1955–57, and in the 2-year period 1961–62, they were 11 percent greater than in 1958–60. Imports of earthenware amounted to 6.5 million dozen pieces in 1957, increased to 9.2 million dozen pieces in 1960. Estimated imports of earthenware dinnerware rose from 2.5 million dozen pieces in 1957 to 4.3 million dozen pieces in 1960, then to 3.4 million dozen pieces in 1961. These imports were equivalent to 9 perment of the apparent consumption of such dinnerware in 1957, and to 13 percent in 1961. (See Report to the President on Investigation No. 7–114—TEA–1X2, under section 301(b) of the Trade Expansion Act of 1962.)

The statistical information secured from the Labor Department, Bureau of the Census, Customs Bureau, et cetera, can be found in the report submitted to the President. The testimony adduced at the hearings and the exhibits submitted can be seen at the Tariff Commission.

F. The proposed liberation of the tariff adjustment provisions of the Trade Expansion Act of 1962 for the benefit of firms and workers will help those classes little if at all unless there is also a change in the criteria for injury applying to domestic industries. The criteria should be the same for all three classes

As above stated, when Congress changed the criteria for relief to domestic industries injured as a result of increased imports due to a trade concession from the escape clause provisions contained in the section 7 of the Trade Extension Act of 1951 to the provisions contained in the present act (Trade Expansion Act of 1962), and included also therein for the first time tariff assistance to injured firms and workers, only three industries qualified for relief, six petitions on behalf of workers, and no firms. The criteria for securing relief in the present law (Trade Expansion Act of 1962) is the same for domestice industries, individual firms, or workers.

The administration recognized some time ago that whereas the escape clause provisions of the Trade Extension Act of 1951 were more successfully applied by several domestic industries which qualified thereunder, the changes made for securing relief by injured industries, individual firms, or workers under the Trade Expansion Act of 1962 proved to be almost a nullity, and is now suggesting amendments to that act. The proposed changes for securing relief should apply with equal force to all three categories of petitioners, and the criteria should be identical. In other words, the proposed new act should not make it easier for individual firms and workers to secure relief from loss of jobs or loss of income due to increased ruinous imports, but permit the domestic industry which contains the individual firms and employs the workers to be handicapped by a more stringent criteria.

It is respectfully pointed out that to offer relief to firms and workers and not similar relief to the domestic industry involved is absolutely worthless. What can it possibly benefit a firm if it receives tax assistance or a loan or other adjustment, if the industry is forced out of the business of producing the article because of low-cost foreign competition? What can it possibly benefit a worker in the long run if he gets extra unemployment benefits or training or relocation, if the industry in which he was employed transfers its manufacturing ability and know-how to low-wage countries because of imports from similar low-wage countries?

It is strongly urged that the criteria for relief proposed by any new act be changed so that it would be identical for domestic industries, individual firms, or workers.

THE PRESIDENT SHOULD NOT BE GIVEN FURTHER AUTHORITY TO REDUCE DUTIES

Under the Trade Expansion Act of 1962, the President was given authority to reduce the rates of duty on imported merchandise to 50 percent of the rates which existed on July 1, 1962. The authority expired on June 30, 1967.

Under the auspices of the so-called Kennedy round of negotiations, most of the authority granted to the President to reduce rates of duty was used. It is believed that the reductions in the rate of duty applying to imports into the United Sates were predicated not so much on the concession we received from the negotiating parties under GATT but took into account the domestic industry involved, its relation to the country, its relation to the community, the protection needed (if any) from competitive imports, capital invested, number of employees, et cetera.

If it is a fact that those factors were taken into account, then the reductions in duty under the Kennedy round were probably the maximum reductions permissible, even if less than the full 50 percent permitted. Therefore, to permit the President to have authority to further reduce duties for any reason in those instances where the full 50 percent reduction in duty was not used would be imposing an undue hardship by the mere threat of further reductions on those domestic industries.

The results of the Kennedy round have hardly been realized, and the mere authority to further reduce duties could result in a mass exodus of domestic industries to low-wage countries. For example, the rate of duty on all categories of imported earthenware dinnerware was not reduced the full 50 percent authorized. Nevertheless, the categories which received a full 50 percent reduction in duty are dependent and interrelated with the categories which did not receive the full 50 percent reduction, so that a definite loss of overall business in the domestic earthenware dinnerware trade is anticipated as a result of the Kennedy round reductions.

Before an additional authority be given to the President to reduce the rate of duty on those categories of earthenware dinnerware which were not originally reduced the full 50 percent, a waiting period of at least another 3 years be set up to determine the effect of the Kennedy round.

Also, certain new categories of earthenware dinnerware were established for customs treatment and duty application under the Kennedy round. It appears as though the duty on these new categories was not reduced under the Kennedy round, but the duty was reduced under previous customs classifications and under prior trade agreements. To permit these categories to be reduced at the present time a full 50 percent of the rate of duty existing on July 1, 1962, would be imposing an undue hardship on an already over-burdened industry.

No one is disadvantaged if the President is denied at the present the authority to reduce duties to the full 50 percent authorized under the Trade Expansion Act of 1962. If in a specific instance for a specific purpose it is necessary, Congress can authorize such authority. Blanket authority to the President at this time can only be detrimental to domestic industries.

AN OMNIBUS QUOTA BILL SHOULD BE PASSED SO THAT ANY DOMESTIC INDUSTRY WHICH IS INJURED AND QUALIFIES UNDER AN ANNOUNCED CRITERIA WOULD BE ABLE TO GET RELIEF FROM RUINOUS IMPORTS

While we are very sympathetic to the domestic textile and shoe industries, there are many more in dire need of legislation if they are to exist.

Congress is well aware of the many quota bills presently pending and covering many imported articles. There is no doubt that at the least some are meritorious and are deserving of congressional action. Obviously, some of them are merely put into the hopper by Congressmen in order to appease constituents.

In order to reduce the workload of Congress in this connection, and to remove the doubt as to whether or not a domestic industry is entitled to relief from imports by limiting the amount of imports, an omnibus quota bill should be passed. The criteria for qualifying for relief under such a bill could be spelled out by Congress, and would require an overt act on the part of such industry to seek relief. Therefore, even if a particular industry may be entitled to relief under such a bill, the relief would not be forthcoming automatically, but it would be necessary for the industry to petition for the relief necessary.

Again using the domestic earthenware dinnerware industry as an example, we find that since the Tariff Commission ruled under the criteria of the Trade Expansion Act of 1962 that the industry was not entitled to relief, matters have worsened. Furthermore, the duty reductions made under the Kennedy round are just being felt, due to the shortness of time that they have been in existence (January 1, 1968). Attached hereto is exhibit I, which is a report of the Bureau of Labor Statistics covering this industry and tells its own story.

It shows that from 1960 to 1965, employment decreased 26 percent, and imports increased 42 percent. Furthermore, and most important, is the fact that in 1960 imports were 18 percent of total consumption, and in 1965 they jumped to 27 percent. An omnibus quota bill would probably have a percentage of imports as related to domestic consumption as part of its qualifying criteria, and in all probability would not be as drastic as the jump in this industry from 18 percent in 1960 to 27 percent in 1965.

Furthermore, attached hereto is exhibit II, which shows domestic shipments in a steady decline from 1954 to 1966, and a steady increase in the value of imports (based on foreign value) during the same period. During the period, the ratio of imports to consumption jumped from 7.7 percent to a whopping 32.5 percent. See also exhibit III, a report of the Bureau of the Census showing the tremendous increase in imports of earthenware table and kitchen utensils from 1954 to 1967, and the negligible amount of exports. As a result of such increased imports against decreased domestic production, the number of production workers decreased from 12,333 in 1954 to 5,626 in 1966 (see exhibit IV attached hereto).

When combined with certain chinaware imports, exhibit V, a report from the Bureau of the Census, shows that earthenware table and kitchen articles domestic shipments decreased from $67,029,000 in 1954 to $47,599,000 in 1966, whereas imports increased from $5,522,000 to $22,332,000, and when combined with chinaware imports, the ratio of total imports to domestic shipments rose from 28.8 in 1954 to 116.6 in 1966.

In bringing the import picture practically down to date, we attach herewith exhibit VI. This exhibit covers the imports into the United States of earthenware dinnerware and low-end chinaware, which is directly competitive with earthenware, and shows the percent changes for 1967, 1968, and 1969. For instance, the exhibit clearly points out that in the earthenware provision most competitive to domestic production, that is, valued over $12 for 77 pieces (item No. 533.28 of the tariff schedules of the United States), there was an increase in imports from Japan of 48.3 percent in the period January to May 1969, over the same period January to May 1968.

In the case of low-end chinaware imports also most competitive with domestic produced earthenware, valued over $10 but not over $24 for 77 pieces (Item No. 533.65 of the tariff schedules of the United States), the exhibit shows whopping increases from Japan. The imports increased 22.3 percent from 1967 to 1968, increased 46.6 percent for the period of January to May, 1968, over the same period in 1967, and increased 32.5 percent for the period of January to May, 1969, over the same period in 1968. The increase from all countries in all earthenware categories is 13.1 percent from 1967 to 1968, 4.5 percent in the period January to May, 1968, over January to May, 1967, and 6.5 percent in the period January to May, 1969, over January to May, 1968.

In the low-end chinaware category most competitive to earthenware dinnerware, the imports from all countries show an increase of 22.3 percent from 1967 to 1968, an increase of 39.1 percent in the period January to May, 1968, over January to May, 1967, and an increase of 31.1 percent in the period January to May, 1969, over January to May, 1968.

All of these increases in the years indicated—1967, 1968, 1969—are on top of very substantial increases made in previous years.

No domestic industry can long survive with increases of that nature, especially one like the earthenware dinnerware industry, where approximately 60 percent of the cost of production is attributable to direct labor.

As has been previously stated, an omnibus quota bill would probably cover a situation presently encountered by the domestic earthenware dinnerware industry, and permit it to qualify for relief under a defined criteria. It would not then be necessary for this industry to seek congressional relief.

BALANCE OF TRADE PAYMENTS

Our balance of trade payments are linked with and tied up with our trade balances relative to imports and exports. For years it has been the theory that we are a solvent country as reflected in at least one instance by our favorable balance of trade. As a result of this fiction, we were advised that in order to keep up our favorable balance of trade, and in fact increase it, we would have to reduce tariffs so that other nations could sell their exports to us before they could buy our exports. This concept was stressed even if it meant the extermination of some domestic industries which were economically operated and turn over the production of that article to foreign countries.

We no longer have much of a favorable balance of trade, if any. Our exports, even including Government-financed exports, at times do not exceed our imports. As recently as May 20, 1968, there appeared in the New York Times a statement made by a vice president of the overseas division of a very large bank, who said:

If Government-financed exports are left out of account, the commercial trade balance this year may show a deficit of $1.5 to $2.5 billion, compared with a small commercial surplus last year of $250 million.

Since our export statistics, when stripped of Government-financed shipments, will show an unfavorable balance of trade, it reduces considerably the argument of those who claim that duties must be reduced at any cost in order to be able to export.

We now have an unfavorable balance of trade, and practically free trade. Perhaps it is time to take a hard look at the entire picture of world trade with a view to domestic industries sharing in it.

Now, Mr. Chairman and Congressmen, we are in favor of the Mills bill in certain aspects and in certain respects. We certainly are in favor of the liberalization of the escape clause provisions and the adjustment provisions. However, we strongly urge that there be no distinction between any criteria as to the industry or firms or workers.

Along those lines I may insert here inferentially that the U.S. Potters Association went through the escape clause route. We were the first industry that was hit under the 1962 expansion act. Of course, as you know, we failed. Until recently all industry and workers and firms who filed had failed except those in the last few months.

Now we feel that a liberalization certainly is necessary, and again I stress the fact that it should be general and the same for all three categories. It would be useless or silly or foolish we believe to have a criteria for labor or for firms which would be different from the industry, because what would it benefit a firm or a group of workers if they are given assistance if the industry to which they are a part go out of business? Therefore, I believe it is very important that they all be the same.

Also I will say that I am very sympathetic to the textile and footwear industries as far as their plan or holding that a quota is necessary to preserve their industry. But, gentlemen, what happens to the industries which don't have the political or economic muscle as those two industries, who need the same protection and need a quota if they are to remain in business? Therefore, in that respect I certainly suggest that Mr. Burke's orderly marketing bill or any omnibus quota bill would be very helpful and I believe essential for the United States at the present time.

A criteria could be set out whereby if a certain penetration of imports is made in any particular industry it would trigger the machinery and start it operating. However, I suggest that it does not become automatic but that an overt act still has to be made by the industry in order to get the quota relief.

Now we feel and again I quote you Mr. Chairman, in substance where you say you are willing to see, when you were speaking to Mr. Stitt, as far as Japan is concerned, that they get their share of any increased consumption of any product in the United States, but you do not want to see the base eroded.

That is exactly our position in the pottery industry. We do not expect any rollback at the present time. The imports have increased steadily. The consumption has increased steadily and domestic production has decreased steadily. So that if it were to stop now, if a criteria were to be set whereby we would qualify and stop now, if there were increased consumption of the particular product under consideration let them have their percentage share, we will live with it, but don't erode our base, don't go any further to the extent that we will have no industry at all.

Now those are about the highlights of what I would say except for one other point that was also raised in connection with Mr. Stitt.

When certain figures were read by you, Mr. Chairman, Mr. Stitt belittled them to the extent that, well, they were meaningless unless you also gave the domestic consumption or the domestic production. The particular commodity you were quoting at that time was textiles, I believe.

In the exhibits attached to my statement we have just such figures. We show the number of employees, the number of plants, the statistical imports, the statistical consumption, and the statistical loss of income by this industry as a result directly of these imports. Now I submit we cannot long stay in business unless something is done along the lines indicated.

Again I say I believe a general escape clause revision, liberalization would help. An omnibus quota bill would help and I think that we more than qualify. The last time I checked it was 2 years ago and I believe with the help of the Commerce Department—Miss Hughes over there helped us at that time—the penetration of earthenware dinnerware and low-end chinaware into the domestic earthenware dinnerware in this country was 46.6 percent. I don't see how an industry can long survive if that keeps up, and it certainly is keeping up.

Gentlemen, that is my statement. If there are any questions I will be very happy to answer them.

(The following exhibits accompanying Mr. Golden's statement were received by the committee:)

EXHIBIT I

TABLE 1.—FINE EARTHENWARE TABLE AND KITCHEN ARTICLES SIC 3263

Year	Shipments, millions	Imports, millions	Total supply	Imports, percent of total	Employment	Percent: Employment decrease	Percent: Imports increase
1960	60.2	13.0	73.2	18	8,770		
1965	51.1	18.5	69.6	27	6,447	−26	+42

EXHIBIT II

EARTHENWARE TABLE AND KITCHEN ARTICLES: U.S. MANUFACTURERS' SHIPMENTS, IMPORTS FOR CONSUMPTION, EXPORTS, AND APPARENT CONSUMPTION, 1954–66

Year	Manufacturers' shipments value ($1,000)	Imports value (foreign) $1,000	Exports value $1,000	Apparent consumption $1,000	Ratio imports/consumption
1954	67,029	5,522	1,358	71,193	7.7
1955	67,985	6,823	1,435	73,373	9.3
1956	69,307	7,869	1,149	76,027	10.4
1957	63,212	8,788	1,494	70,508	12.5
1958	50,230	9,037	1,487	57,780	12.3
1959	58,215	11,614	1,172	58,657	16.5
1960	58,326	12,963	1,074	70,215	18.4
1961	46,446	11,662	752	57,356	20.3
1962	48,383	13,562	640	61,305	22.1
1963	59,046	14,033	779	72,300	19.4
1964	62,242	16,861	664	78,439	21.4
1965	52,334	18,545	898	69,981	26.5
1966	47,599	22,332	1,119	68,812	32.5

Source: U.S. Bureau of the Census and Consumer Durables Division.

EXHIBIT III

TABLE II.—EARTHENWARE TABLE AND KITCHEN ARTICLES: U.S. IMPORTS FOR CONSUMPTION AND U.S. EXPORTS, 1954–67

Year	Imports		Exports	
	Quantity 1,000 dozen	Value (foreign) $1,000	Quantity 1,000 dozen	Value $1,000
1954	3,368	5,522	821	1,358
1955	5,455	6,823	923	1,435
1956	6,751	7,869	671	1,149
1957	5,996	8,788	1,008	1,494
1958	5,841	9,037	1,215	1,487
1959	7,955	11,614	838	1,172
1960	9,229	12,963	642	1,074
1961	8,243	11,662	484	752
1962	8,939	13,562	398	640
1963	8,151	14,033	348	779
1964	9,397	16,861	374	664
1965	9,608	18,545	337	898
1966	11,087	22,332	459	1,119
1967	11,003	23,105	405	1,226

Source: U.S. Bureau of the Census.

EXHIBIT IV

TABLE I.—EARTHENWARE TABLE AND KITCHEN ARTICLES (SIC CODE 3263): GENERAL STATISTICS OF THE U.S. INDUSTRY, SELECTED YEARS, 1954–66

Year	Establishments (number) total	Production workers			Value added by manufacturer ($1,000)	Value of shipments ($1,000)
		Number	Man-hours (1,000)	Wages ($1,000)		
1954	47	12,333	19,467	32,468	48,655	67,029
1955	(1)	12,104	19,898	33,686	50,590	67,985
1956	(1)	11,502	19,231	35,045	52,746	69,307
1957	(1)	10,026	17,018	31,915	45,054	63,212
1958	30	7,769	12,645	24,756	36,311	50,230
1959	(1)	8,477	14,331	28,228	41,898	58,215
1960	(1)	7,890	13,787	27,893	41,743	58,326
1961	(1)	6,172	10,833	21,098	32,769	46,446
1962	(1)	5,951	10,726	22,321	34,192	48,383
1963	21	6,594	12,319	26,416	41,046	59,046
1964	(1)	6,717	12,506	26,769	44,454	62,242
1965	(1)	5,753	10,689	22,931	37,235	52,334
1966	(1)	5,626	10,187	22,211	34,067	47,599

[1] Not available.
Source: U.S. Bureau of the Census, Census of Manufactures, 1963 and Annual Survey of Manufactures.

EXHIBIT V

HOUSEHOLD EARTHENWARE TABLE AND KITCHEN ARTICLES—DOMESTIC SHIPMENTS AND IMPORTS AND IMPORTS OF CHINAWARE TABLE AND KITCHEN ARTICLES 1954-66

[Value in $1,000]

Year	Earthenware		Chinaware imports	Total chinaware and earthenware imports	Ratio total imports to domestic shipments
	Domestic shipments	Imports			
1954	67,029	5,522	13,754	19,276	28.8
1955	67,985	6,823	15,222	22,045	32.4
1956	69,307	7,869	16,942	24,811	35.8
1957	63,212	8,788	18,359	27,147	42.9
1958	50,230	9,037	17,772	26,809	53.4
1959	58,215	11,614	21,806	33,420	57.4
1960	58,326	12,963	23,382	36,345	62.3
1961	46,446	11,662	21,108	32,770	70.6
1962	48,383	13,562	24,791	38,353	79.3
1963	59,046	14,033	20,757	34,790	58.9
1964	62,242	16,861	27,690	44,551	71.6
1965	52,334	18,545	30,767	49,312	94.2
1966	47,599	22,332	33,185	55,517	116.6

Source: Bureau of the Census.

EXHIBIT VI.—U.S. IMPORTS OF EARTHEN AND CHINA DINNERWARE BY SPECIFIED VALUE CATEGORIES

[Quantity, value, and quantity percentage changes by country and total TSUS items 533.23–28 and 533.65]

	Japan		United Kingdom		France		Italy		West Germany		All others		Total	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
533.23:														
1967	33, 322	$41, 842									40	$318	33, 362	$42, 160
1968	10, 428	7, 938	34	$628			9	$303			436	575	10, 907	9, 444
January-May 1967	13, 442	11, 654									40	318	13, 842	11, 972
January-May 1968	3, 121	2, 045											3, 121	2, 045
January-May 1969	5, 648	6, 129											5, 648	6, 129
Percent change:														
1967–68	−68. 7										+990		−67. 3	
January-May 1967–68	−76. 8										−100		−76. 9	
January-May 1968–69	+80. 9												+90. 0	
533.25:														
1967	361, 799	298, 500	590	3, 003					100	$800	2, 320	2, 526	364, 809	304, 829
1968	311, 605	264, 482	926	10, 364			8	515			586	4, 578	313, 125	279, 939
January-May 1967	138, 321	118, 906	224	1, 159							2, 180	2, 074	140, 725	132, 139
January-May 1968	174, 512	136, 788	661	5, 950							586	4, 578	175, 759	147, 316
January-May 1969	89, 870	84, 892	1, 153	1, 886							208	582	91, 231	87, 360
Percent change:														
1967–68	−13. 9		+56. 9								−74. 7		−14. 2	
January-May 1967–68	+26. 2		+195. 1								+73. 1		+24. 9	
January-May 1968–69	−48. 5		+74. 4								−64. 5		−48. 1	
533.27 (items 532.26 and 533.28):														
1967	2, 839, 759	5, 454, 610	1, 992, 777	6, 141, 778	34, 945	$137, 040	72, 497	310, 149	28, 499	124, 975	150, 105	726, 310	5, 118, 582	12, 894, 862
1968	2, 825, 379	5, 982, 837	2, 759, 002	7, 541, 883	49, 043	196, 492	58, 677	341, 268	26, 785	94, 961	199, 080	740, 274	5, 917, 966	14, 897, 715
January-May 1967	127, 398	2, 101, 838	919, 365	2, 085, 506	19, 850	66, 245	36, 241	110, 989	13, 844	50, 677	71, 106	309, 643	2, 187, 804	5, 444, 898
January-May 1968	1, 216, 130	2, 382, 738	1, 022, 124	2, 859, 713	23, 353	94, 001	30, 722	152, 600	8, 561	40, 997	57, 570	285, 065	2, 268, 460	5, 815, 114
January-May 1969	1, 215, 285	2, 748, 084	1, 172, 578	3, 278, 861	25, 853	92, 706	14, 046	111, 347	22, 404	101, 916	58, 337	179, 151	2, 508, 503	6, 512, 065
Percent change:														
1967–68	−. 5		+38. 5		+40. 3		−19. 1		−6. 0		+32. 6		+15. 6	
January-May 1967–68	−. 1		+11. 2		+17. 6		−15. 2		−38. 2		−19. 0		+3. 7	
January-May 1968–69	+7. 8		+14. 7		+10. 7		−54. 3		+161. 7		+1. 3		+10. 6	
533.26:														
January–May 1968	516, 589	891, 968	246, 528	498, 285	236	471	6, 163	19, 092			12, 691	25, 739	782, 207	1, 435, 555
January–May 1969	311, 499	535, 235	131, 451	226, 903			178	940	1, 592	2, 693	31, 875	53, 945	476, 595	819, 716
Percent change: January–May 1968–69	−39. 7		−46. 7		−100. 0		−97. 1				+151. 2		−39. 1	
533.28:														
January–May 1968	609, 541	1, 490, 770	775, 596	2, 361, 428	23, 063	93, 530	24, 559	133, 508	8, 561	40, 997	44, 933	259, 326	1, 486, 253	4, 379, 559
January–May 1969	903, 786	2, 212, 849	1, 041, 127	3, 051, 958	25, 853	92, 706	13, 868	110, 407	20, 812	99, 223	26, 462	125, 206	2, 031, 908	5, 692, 349

EXHIBIT VI—U.S. IMPORTS OF EARTHEN AND CHINA DINNERWARE BY SPECIFIED VALUE CATEGORIES—Continued

[Quantity, value, and quantity percentage changes by country and total TSUS items 533.23-28 and 533.65]—Continued

	Japan		United Kingdom		France		Italy		West Germany		All others		Total	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Percent change: January-May 1968-69	+48.3		+34.2		+12.1		-43.5		-143.[illegible]		-41.1		+36.7	
Total (533.23-28):														
1967	3,234,880	$5,794,952	1,993,367	$6,141,778	34,945	$137,040	72,147	$309,548	28,499	$124,975	153,343	$734,189	5,517,181	$13,242,482
1968	3,147,412	6,255,257	2,759,962	7,552,875	49,043	196,492	58,694	342,086	26,785	94,961	197,666	745,252	6,239,562	15,186,923
January-May 1967	1,279,161	2,232,398	919,589	2,806,665	19,850	66,245	36,241	110,989	13,844	50,677	73,326	312,035	2,342,011	5,579,009
January-May 1968	1,303,763	2,521,571	1,022,785	2,865,663	23,353	94,001	30,722	152,600	8,561	40,997	58,156	289,843	2,447,340	5,964,675
January-May 1969	1,310,803	2,839,105	1,173,731	3,280,747	25,853	92,706	14,046	111,347	22,404	101,916	58,745	179,733	2,605,382	6,605,554
Percent change:														
1967-68	-2.7		+38.5		+40.3		-18.6		-6.0		+28.9		+13.1	
January-May 1967-68	+1.9		+11.2		+17.6		-15.2		-38.2		-20.7		+4.5	
January-May 1968-69	+.5		+14.8		+10.7		-54.3		+161.7		+1.0		+6.5	
533.65:														
1967	8,124,506	16,175,838			173	398			153,414	355,836	21,031	49,192	8,299,124	16,581,264
1968	9,935,614	20,188,673	1,166	3,106	15	454	794	2,008	184,902	450,445	27,498	45,786	10,149,989	20,690,472
January-May 1967	2,571,485	5,646,446							35,355	91,254	183,062	7,199	2,789,902	5,744,899
January-May 1968	3,768,953	7,384,470	550	2,470			600	1,105	92,670	210,346	17,842	27,251	3,880,615	7,625,642
January-May 1969	4,988,906	10,121,994	36	484	29	1,090	450	1,548	52,805	125,815	43,456	68,497	5,085,682	10,319,428
Percent change:														
1967-68	+22.3				-91.3				+20.5		+30.7		+22.3	
January-May 1967-68	+46.6								+162.1		-90.3		+39.1	
January-May 1968-69	+32.5		-93.5				-25.0		-43.0		-143.6		+31.1	

The CHAIRMAN. We thank you very much for your statement.

Are there any questions of Mr. Golden?

Mr. CORMAN. May I ask why did you fail to get relief under the escape clause?

Mr. GOLDEN. We did not meet the criteria. Thank you very much, Mr. Corman. The Tariff Commission found that we were injured. However, they did not find that the major cause for the injury was increased imports as a result in major part of a major reduction in duties which was the criteria at that time. As a matter of fact, it still is.

Mr. CORMAN. Would it be your opinion, you could have qualified under law as presently proposed by the administration?

Mr. GOLDEN. Yes; I have no doubt of that.

The CHAIRMAN. Mr. Conable.

Mr. CONABLE. Has there been a reduction in the tariff on your goods?

Mr. GOLDEN. Under the Kennedy round certain categories were reduced. Now we come under, I believe about eight provisions of the tariff schedules of the United States, depending on value brackets. Certain brackets were reduced the full 50 percent. Other value brackets were split under the Kennedy round. So, whereas they were previously reduced, it appears as though they may not have been reduced. That is only because of the split. We did receive reductions.

Mr. CONABLE. Which was the determination, then, that it was not a major cause rather that there had been no reduction in tariffs?

Mr. GOLDEN. That is right; they said that glassware had cut into the earthenware dinnerware industry. Plastics, melamine had cut into the industry. But peculiarly, they did not say there should be the same effect on the imports as on the domestic industry, but it did not. We lost business and they got the business. It had no effect on them but the Tariff Commission said it had an effect on us.

The CHAIRMAN. Mr. Betts.

Mr. BETTS. Mr. Golden, I wish Mr. Surrey were here to hear you make your statement, why you were not able to prove injury under the escape clause relief because you probably heard him say here that they felt that this link between the loss through injury through imports had to have a connection with tariff concessions before there could be any relief under the escape clause.

You don't agree with that?

Mr. GOLDEN. No.

Mr. BETTS. I think the pottery industry, what it has suffered in the way of imports is a good example of that position taken there.

Mr. GOLDEN. Yes; we have suffered from imports, there is no question about it.

Mr. BETTS. But there was no connection between the loss in tariff concessions, was there?

Mr. GOLDEN. Yes, there was, but under that criteria that existed at that time, the 1962 act—now, remember this: This was the first change from the escape clause section 7 of the 1951 act when many industries qualified. Then the 1962 act said that in order to be successful under the escape clause three things were necessary: You had to show that as a major part. Now they said we were injured but they said it was not the major part. That was the fact. Up until a few months ago that of all petitions filed, 46, not one qualified until recently when three industry petitions qualified and six workers' petitions qualified, and no company petitions.

That is only recently. I will say this inferentially, also: There would have been many, many, many more petitions filed from 1962 to 1970 if originally the Tariff Commission had not taken the stand it did in the interpretation of the criteria in order to succeed under the escape clause act.

Mr. BETTS. I appreciate your comments. I appreciate your coming here because although I am from the agricultural end of Ohio, I have driven through the southeast and I have seen first hand what has happened to the industry. Would you say this is a correct appraisal, that the pottery industry in southeastern Ohio represents as dramatically as any other industry what has happened as a result of foreign imports injuring the whole industry?

Mr. GOLDEN. I know, Mr. Betts, that you are from Ohio. I know you are acquainted with East Liverpool, Ohio. I know you are acquainted with some of the potteries. So you know what I am speaking of and the companies that have gone out of business.

Also, the Homer Laughlin China Co., which is located in Newell, W. Va., has more employees than reside in the town of Newell, W. Va.

Now what do they do if they are closed down?

Mr. BETTS. Get adjustment relief?

Mr. GOLDEN. I wonder what Mr. Stitt would recommend.

Mr. BETTS. Thank you, sir.

The CHAIRMAN. Are there any further questions of Mr. Golden?

If not, Mr. Golden, again we thank you, sir, for coming to the committee.

Mr. GOLDEN. Thank you, gentlemen.

The CHAIRMAN. Our next witness is Mr. Virgil V. Grant.

Mr. Grant, if you will please come forward and identify yourself for our record we will be glad to recognize you.

STATEMENT OF VIRGIL V. GRANT, VICE PRESIDENT, CATERPILLAR TRACTOR CO.; ACCOMPANIED BY JAMES FENDER, PUBLIC AFFAIRS DEPARTMENT

Mr. GRANT. Mr. Chairman, members of the committee, my name is Virgil V. Grant. I am a vice president of Caterpillar Tractor.

The CHAIRMAN. We are pleased to have you with us, sir. You are recognized.

Mr. GRANT. Thank you very much.

On my right is Mr. James Fender, an associate of mine in our public affairs department.

Caterpillar strongly urges this committee to give favorable consideration to legislation along the lines of H.R. 14870, which was introduced on a bipartisan basis by your chairman, Mr. Mills and, Representative Byrnes of Wisconsin. We believe enactment of this legislation represents a desirable step toward the important long-term objective of establishing a more equitable environment, within which the United States and all friendly trading nations can prosper.

With your permission I would like to briefly review the case history of one company as an illustration of what the increasingly free flow of international trade means in terms of jobs for U.S. workers, opportunities for U.S. companies, and economic growth for the entire Nation.

When Caterpillar Tractor Co. was formed in 1925, its facilities consisted of two small plants, and sales were $13.8 million.

Today we have grown to 25 manufacturing plants, including 13 in the United States—six in Illinois, and one each in Iowa, Wisconsin, California, Pennsylvania, Ohio, Oregon, and South Carolina. Employment, which totaled 2,500 in 1925, now numbers some 67,000, including more than 53,000 in the United States. Our sales in 1969 were $2 billion.

This rate of growth would not have been possible without reduction of the barriers to an increasingly free flow of goods and capital among nations, achieved through U.S. leadership during the past 35 years.

Of our $2 billion in sales, $952 million, or 47½ percent, consisted of sales to customers outside the United States and more than 65 percent of these sales abroad consisted of product manufactured in the United States. This means that roughly one-third of U.S. production was for export.

Perhaps it should be noted here that the establishment of manufacturing operations abroad has not meant the loss of U.S. jobs, but the preservation or opening of markets that would otherwise be lost to a U.S. firm. In each case, our physical presence in other market areas has been followed by an increase in exports from the United States, both in the form of components to be incorporated in foreign-made machines and of prime products built only in this country.

As a consequence of our total exports, plus license fees and dividends from subsidiaries abroad, Caterpillar was able to make a net contribution of $687 million to the U.S. balance of payments last year, and during the past 10 years we have contributed $4.2 billion to the flow of payments into this country.

What does this mean in terms of jobs and other economic benefits to the United States?

Since exports account for approximately one-third of our U.S. production, the jobs of some 17,000 of our 53,000 employees in the United States are the result of export business.

Our annual payroll, which was $3 million when the company was formed, now surpasses $650 million, and one-third of the substantial portion received by our 53,000 U.S. employees is attributable to exports.

This is only part of the story. Last year we spent $780 million within the United States for materials, supplies and services. One-third of this—or approximately one-quarter of a billion dollars—went into production for export.

In all, more than 10,000 suppliers shared in this business—and a large number of them can be classified as small business.

Our purchases of 800,000 tons of steel provided employment for several thousand people in the domestic steel industry. Caterpillar and other machinery manufacturers are, in effect, the export branch of U.S. steel producers. Were producers and users of steel consolidated—as in one corporation—or if the two were regarded as complementary components of a national industry, we do not think the steel mills would be seeking protection from competitive imports.

We estimate that our purchases of 425,000 tons of castings and forgings alone supplied employment to approximately 10,000 people outside of Caterpillar—including many who are among the socially disadavntaged. One-third of these jobs also are dependent upon our continuing ability to export.

To keep pace with growing worldwide markets, Caterpillar made capital investments in this country of $764 million during the 1960's. Again, a substantial share of this contribution to the national economy—and the jobs it provided—was attributable to export business.

In all, it seems likely that in addition to the 17,000 jobs at Caterpillar that are the result of exporting, an even greater number of other jobs are generated directly by our export activities. If we were to add jobs created indirectly in retailing, home building, and other businesses that serve our employees, the total of jobs attributable to this one company's export business would be rather astonishing.

Another benefit accruing to the Nation from export operations, of course, is the ability of U.S. companies to earn to pay substantial Federal taxes. In 1969 Caterpillar paid $127 million in Federal income taxes to the United States and foreign governments—the vast bulk of it to the U.S. Government. Without the extra volume created by export business, our U.S. Federal tax payments would have been far less—much more than a third less, because the top third of our sales volume is the most profitable. This is because the additional production volume makes possible lower manufacturing costs. In addition to these Federal taxes, the company paid more than $21 million in local taxes—most of it in the United States, and shared by governments in more than 30 States.

Multiply this case study, if you will, by the total of U.S. companies engaged in international trade, and one conclusion is inescapable: The jobs of millions of Americans, and the attendant benefits to the national economy, are dependent upon continuation of the world movement toward freer trade achieved through long and persistent U.S. leadership. As one of the Nation's largest exporters, Caterpillar believes the enactment now of legislation along the lines of H.R. 14870 is imperative to the continuation of this leadership and these benefits.

In more specific terms, Caterpillar has long been among those urging elimination of the American Selling Price system of customs valuation, prudent minimization of nontariff trade barriers, selective tariff reductions, and the strengthening of U.S. participation in GATT.

We also believe it is important to provide the President with retaliatory powers against the products of a Nation that places unjustifiable restrictions on any U.S. product, and authority to take appropriate action against nations that subsidize competition in third-country markets in any way that unfairly affects U.S. exports.

We strongly support the provisions in H.R. 14870 that would provide for adjustment assistance to workers and groups of workers whose jobs and livelihood are adversely affected by imports.

On the other hand, we have some reservations regarding the technical application of other portions of the escape clause and adjustment assistance features that relate to industries and firms. To be cause for relief, such injury should be related to a change in the tariff structure, rather than simply to greater imports, which could result from a number of causes, including management failure to meet or provide against competitive agression.

Caterpillar is fully aware of the artificial devices used by many countries to restrict opportunities of U.S. companies to pursue markets abroad. We support the objective of this committee to enact legislation that will strengthen the Nation's hand in dealing with countries that unjustly discriminate against U.S. exports, and we are actively supporting this effort through our business contacts at home and abroad.

However, we believe this objective would not be served by the legislation of import quotas on products of other countries. Such action, in our observation, would not produce the desired effect of expanding U.S. market opportunities abroad. On the contrary, it would create conditions in which retaliation between the United States and its trading partners would tend to escalate. In the ensuing contraction of world trade, our country would stand to lose more than any other.

In this connection it should be understood that measures to counteract unfair trade practices will be of maximum aid to U.S. industry only if they can be applied at the source of foreign production. Countervailing duties and antidumping penalties imposed at entry to the United States may provide shelter for domestic producers, but they are of no help to the U.S. exporter competing against foreign producers in third markets. Markets which are outside source countries are becoming increasingly important and, therefore, increasingly competitive.

As for Caterpillar, we seek no protection from competition originating anywhere in the world. We subscribe to the general objective of having all possible obstructions to the interchange of goods and services reduced to a minimum.

The real solution to the problems of foreign competition and unfair trade practices does not lie in artificial restriction of imports. Rather, the solution lies in responsible, practical action along the lines of H.R. 14870, accompanied by effective fiscal and monetary policy to bring domestic inflation under control.

U.S. leadership toward a freer trade environment spans the administration of six presidents and 18 sessions of the Congress. This committee now has an opportunity to add another to the long list of contributions it has made to this leadership and the benefits it has brought our country.

Caterpillar Tractor Co. believes legislation along the lines of H.R. 14870 very effectively picks up U.S. and world trade policy where it now is, and moves us in the direction we must go to meet immediate needs and resume our advance toward longer-term objectives.

We hope this case history of one company will demonstrate to the committee the important national benefits to be gained by renewing the Nation's commitment to trade that is both freer and fairer through the enactment of this constructive legislation.

Thank you for the opportunity to present our views on this important matter.

The CHAIRMAN. We thank you, sir.

Are there any questions?

Mr. CONABLE. Mr. Chairman.

The CHAIRMAN. Mr. Conable.

Mr. CONABLE. Mr. Grant, I would like to ask you if your company is in a typical situation. You have effective American competition, of course?

Mr. GRANT. Yes.

Mr. CONABLE. But I wonder if you are not somewhat subsidized in many of your foreign operations by "buy American" provisions which we have put into the foreign aid programs?

Mr. GRANT. To the extent that foreign aid funds are used to purchase our products, perhaps that is true. The money is lent for projects and we are not aware of how much is spent in that way, but to the extent that it is done, that would be the case.

Mr. CONABLE. Is that a substantial part of your overseas trade?

Mr. GRANT. It is not, no, sir. It is less now that the foreign aid funds are lower.

Mr. CONABLE. So you would not consider that a significant factor. What other countries produce heavy equipment in substantial degree? Germany?

Mr. GRANT. Germany, Italy. Fiat is a producer. Japan is a producer.

Mr. CONABLE. None of them is really in the same ballpark with Caterpillar tractor, are they?

Mr. GRANT. If I agree with that I might be accused of making a self-serving statement.

Mr. CONABLE. That is all right here. They are made often.

Mr. GRANT. We do, however, have other lines. We do have diesel engines as a large part of our business. There are many of them made in other parts of the world.

Mr. CONABLE. There you have tough competition.

Mr. GRANT. Yes, and we have lift trucks.

Mr. CONABLE. How much would be affected by the foreign aid program and the requirements of "buy American" that are part of our foreign aid program generally?

Mr. GRANT. I would say it is a factor but not an important one. Most of our sales are in the industrialized parts of the world whereas the foreign aid goes to the underdeveloped parts of the world.

Mr. CONABLE. Thank you very much.

The CHAIRMAN. Mr. Grant, you heard Mr. Goldy's statement, did you not?

Mr. GRANT. Yes, sir, I did. It was a brilliant statement.

The CHAIRMAN. I thought so. Do you agree with his evaluation of what could be done to further increase the exports of various industries who have done such a good job in the export field?

Mr. GRANT. I agree completely. I would have thought he had been reading a list of things which I had made of what the United States could do to increase exports.

The CHAIRMAN. Do you think it is important that we get into those items?

Mr. GRANT. Yes, sir, I do. We would appreciate more help to exporters and less worrying about protecting domestic industry.

The CHAIRMAN. You have done a remarkable job in developing your company in these—what is it? Forty-five years that you have been in existence?

Mr. GRANT. Yes, sir.

The CHAIRMAN. I always thought you had about as good a product, when I was a county judge and building county roads, as you could find anywhere, and I guess people abroad feel the same way about it. Your sales have gone up remarkably.

You say you compete with producers in Italy and Germany and Japan?

Mr. GRANT. Yes, sir.

The CHAIRMAN. Are there producers in Russia?

Mr. GRANT. Yes. We don't compete with them in very many places. Foreign competition is comparable in our lower sizes. These competitors generally make the smaller sizes. They don't generally make the larger ones.

The CHAIRMAN. How does your business break down? Do you have more sales of diesel engines than you do of your rolling type equipment, trucks?

Mr. GRANT. No, much smaller dollarwise. The large construction equipment is the predominant portion of our business.

The CHAIRMAN. The earth-moving equipment.

Mr. GRANT. Yes.

The CHAIRMAN. That is made in Japan?

Mr. GRANT. Yes.

The CHAIRMAN. And in Germany and in Italy?

Mr. GRANT. Yes, sir, it is.

The CHAIRMAN. Do they undersell you any place?

Mr. GRANT. Yes, they certainly do.

The CHAIRMAN. They do undersell you?

Mr. GRANT. They do. They also give longer terms, and they get more help from their governments in various ways, particularly on exports.

The CHAIRMAN. Do you find any evidence of subsidization of industry by any of these countries? In third markets, I am talking about.

Mr. GRANT. We feel there is but it is very hard to document. We are aware of some direct help along the lines Mr. Goldy mentioned such as low interest help in financing exports.

The CHAIRMAN. Do you use the Export-Import Bank to any extent?

Mr. GRANT. Yes, we use it some. It is very helpful, but when you compare the amount of money we get from that source with our total exports you would say it is not very large.

The CHAIRMAN. You have to go outside to get most of your financing?

Mr. GRANT. Yes, sir, or carry it ourselves.

The CHAIRMAN. How do you manage to carry it yourself?

Mr. GRANT. We borrow to carry a great portion of it. It runs for 5, 6, 7, 8 years.

The CHAIRMAN. Your company is a great operation—I wish we had many more of them—that have made such phenomenal growth in the export of know-how. You have sold them abroad in competition because of that know-how in spite of the fact that you had to charge a little more for them.

Mr. GRANT. Yes. We are going to try to help to get the $50 billion of exports the administration is looking for.

The CHAIRMAN. Are there any further questions of Mr. Grant?

If not, we thank you, sir.

Mr. GRANT. Thank you, Mr. Chairman.

The CHAIRMAN. The next witness is Vincent J. Bruno.

If you will come forward, Mr. Bruno, and identify yourself you will be recognized.

STATEMENT OF VINCENT J. BRUNO, DIRECTOR, WORLD TRADE DEPARTMENT, COMMERCE & INDUSTRY ASSOCIATION OF NEW YORK

Mr. BRUNO. Mr. Chairman and gentlemen, my name is Vincent J. Bruno, and I am director of the world trade department of the Commerce & Industry Association of New York.

The Commerce & Industry Association is a service chamber of commerce, with more than 3,500 member companies, of which over 2,000 are engaged directly or indirectly in world commerce. Thus, we have a major interest in all aspects of international trade.

In order to save the committee's time, we will confine our remarks to an enumeration of the more important steps we believe the Congress should take to enhance our country's share in world trade.

1. We urge support for those features of H.R. 14870 liberalizing adjustment assistance and escape clause criteria, eliminating the American selling price basis of customs valuation, and granting the President limited tariffcutting authority.

2. U.S. exporters should be assured of adequate export financing on internationally competitive terms, including an automatic rediscount facility on export paper, preferably by the Federal Reserve System.

3. We endorse the Commerce Department's efforts to expand the Joint Export Association program, one of the more practical and imaginative steps the U.S. Government has taken to boost exports. This program should be at least doubled over its current level, and could be of significant help to U.S. exporters in penetrating new or high-risk markets where he would not otherwise venture.

4. Support for new and effective programs to encourage U.S. exports to world markets, such as the administration's proposed Domestic International Sales Corporations (DISC) permitting the deferment of income tax payments, without any geographical limitations, and the ultimate assessment of such taxes on foreign profits at a lower rate.

5. We oppose the objective of H.R. 14188, which would eliminate the privilege now available to American industry in Item 807.00, Tariff Schedules of the United States, to ship American articles abroad for assembly and subsequent return to the United States without payment of customs duties on the cost of value of the U.S. components contained therein.

6. Enactment of a bill before Congress, H.R. 13713, which would provide for the refund of indirect taxes—Federal, State, and local—paid during the production, and constituting part of the selling price, of United States articles exported to foreign countries.

7. Support for the restoration of Eximbank's authority to finance and underwrite normal commercial credits on exports to Eastern Europe and the removal of ceilings on Eximbank loans, so that additional funds will be available to finance new export business at competitive rates.

8. Extension of the benefits of the most-favored-nation policy to East European countries in order to promote the development of East-West trade.

9. The establishment of a new executive agency for the express purpose of coordinating Federal export expansion programs into one

organization which could devote its energy to the development of new incentives and operational techniques by American exporters.

10. Support for the current U.S. Department of Commerce study of the advantages and disadvantages of the adoption of the metric system of weights and measures by the United States.

Mr. Chairman, gentlemen, for the past 37 years this Association has consistently supported a policy of liberal international trade. We believe it is of utmost importance to all facets of the business community and to this country's economy to continue and strengthen that policy.

Thank you.

The CHAIRMAN. Thank you. Are there any questions?

If not, we thank you for your appearance and the statement you have presented the committee.

That completes the calendar for today.

The Chair recognizes our colleague from Iowa, Mr. Schwengel.

STATEMENT OF THE HON. FRED SCHWENGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. SCHWENGEL. Thank you, Mr. Chairman.

Mr. Chairman, in behalf of a constituent of mine who is unable to be here, but who is on today's schedule, I request permission to present his statement for the record.

The CHAIRMAN. Without objection, it is so ordered.

(Mr. Hullsiek's prepared statement follows:)

PREPARED STATEMENT OF WILLIAM L. HULLSIEK, VICE PRESIDENT, CORPORATE DEVELOPMENT, AMANA REFRIGERATION, INC.

My name is William L. Hullsiek. I am Vice President in charge of Corporate Development of Amana Refrigeration, Inc., Amana, Iowa. I am accompanied by our Washington counsel, George D. Webster.

SUMMARY OF PRINCIPLE POINTS

1. Amana Refrigeration, Inc., Amana, Iowa supports the enactment of legislation which would create Domestic International Sales Corporations (DISC). American industry producing goods for export faces severe difficulties because of the relative disparity in labor costs between U.S. labor and that available to manufacturing concerns in other countries. If the general agreement on tariffs and trade prohibits any straight reduction of the rates on export income or any direct subsidy for export operations, the least our government can do to equalize the situation between United States industry and foreign industry is to grant the element of tax deferral provided by this proposal.

2. Amana recommends further congressional inquiry and activity in the area of general discrimination against the activities of the United States industrial concerns.

For over 35 years our company has manufactured high quality products. We presently manufacture food freezers, freezer-plus-refrigerators, room air conditioners, and dehumidifiers. Many of you are familiar with our Deepfreeze® home freezers. We have recently undertaken a new product line—the Radarange® microwave oven. Amana feels that microwave cooking will become a major factor in the future and we predict this high speed, efficient method of food preparation will become as prevalent in the United States as it is now in some foreign countries. In every product line Amana has attempted not just to meet the competition, but to produce a product with quality which is unavailable elsewhere.

We at Amana support the President's DISC proposal. We are committed to the proposition that America shall continue to be a strong power because of ingenuity and success of American industry. All Amana products are made in this country by Amana. We have never established foreign manufacturing facilities even though it has been apparent for many years that there is much to be gained from the short range standpoint by the utilization of the labor cost differentials between this country and some foreign countries. We view those differentials as short range because we are convinced that American ingenuity will in time increase the efficiency of our production forces to the point where labor cost differentials will not be quite as significant as they are today. Because we have never used foreign manufacturing subsidiaries, the profit on every dollar earned on goods we manufacture and send abroad becomes currently subject to tax in this country. The industrial concerns who are not committed to this principle, as we are, can establish foreign subsidiaries and with certain exceptions defer taxation on the earnings of the foreign manufacturing operations until the funds earned are repatriated to this country. Thus, we incur an additional form of discrimination. We are subject to the labor cost differentials and subject to an increased tax differential. Our understanding of the DISC proposal is that a domestic manufacturing subsidiary which exports its output would be placed on the same tax basis as a foreign subsidiary by relieving the domestic exporting company from taxation on its profits until such time as they cease to be involved in the export phase of their operations.

While we wholeheartedly endorse the proposal we would make one note of caution. Should you decide to recommend the enactment of the DISC proposals we would hope that you would find it possible to be specific and liberal in regard to pricing arrangements or allocation rules between the American parent and its Domestic International Sales Corporation. We feel that substantial benefits of this legislation would be lost if too many restrictions were permitted in this area.

My second point of concern is to respectfully request that you undertake a thorough investigation into discrimination which we know exists against United States manufactured products in some foreign countries. Our particular experience has been with Japan. At present, the Japanese microwave oven market is much larger than the United States market (five times as large). We have great expectations for the microwave oven market in this country in the future, but for the present, the Japanese market is larger. Our expectations with regard to the American market are based on reasonable expectation. We recently received an article which appeared in a Japanese newspaper indicating that they expect the microwave oven market in this country to increase substantially and that they anticipate a large microwave oven market for their products in the United States. Because of the volume available in the Japanese market presently, we feel that no Japanese manfacturer produces a microwave oven which can come close to the Radarange® in quality.

We have attempted to export microwave ovens to Japan. Our efforts have been singularly unsuccessful. Shipments sit on the docks in Japan while we earnestly attempt to overcome what seems to be impossible administrative regulations and port discrimination. While our experience has been pronounced in the microwave oven field, we have noticed similar discrimination with regard to refrigeration equipment we have attempted to export to Japan. Meanwhile, any Japanese manufacturer, who can produce a microwave oven, has unlimited access to American ports. We are not fearful of Japanese competition and feel absolutely certain Americans can produce a product, which because of its extremely high quality, can withstand any price differential which exists by virtue of labor cost differentials. However, we are extremely resentful of the fact that the ground rules do not seem to be the same. We do not need protection; we need to have the ballgame played by the same rules. We recognize also the Tariff Act of 1930 gives the President of the United States the power to impose duties or to exclude imports where discrimination against the commerce of the United States exists, either directly or indirectly, by law or administrative regulation. However, this procedure in the past has been most cumbersome and lengthy. Consequently, relief in some instances is too late and thus ineffective.

I would like to thank you very much for the opportunity granted to me to speak on behalf of Amana and American industry.

The CHAIRMAN. Let the record show it is now 6:09.

Without objection the committee adjourns until 10 o'clock in the morning.

(Whereupon, at 6:09 p.m. the committee was adjourned, to reconvene at 10 a.m. Wednesday, May 20, 1970.)

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